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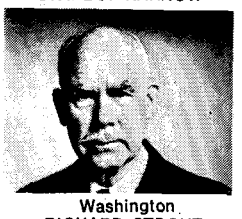

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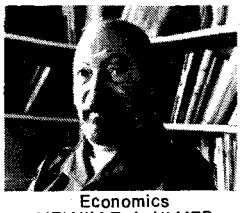

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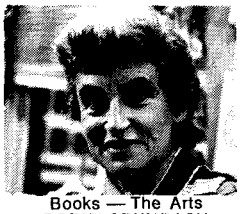

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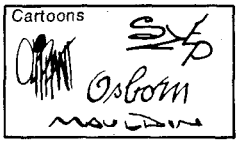

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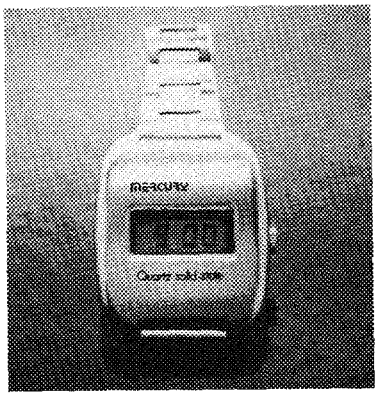

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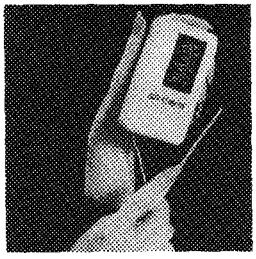

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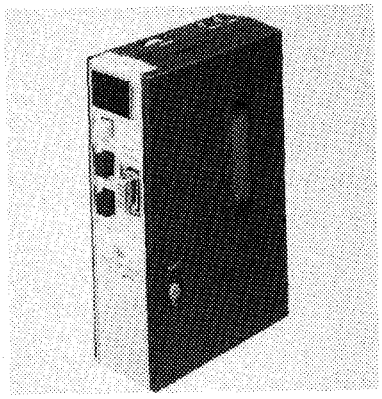

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from Washington
November 2, 1974

Who's to Starve

The Rome Food Conference starts next week and could be a turning point. World population is four billion and will double in 35 years at the present birthrate. Only that won't happen. Demographers are almost sure now that the earth won't support another four billion and that if the birthrate isn't checked the death rate will go up.

In the meantime we can assuage growing hunger by increasing food supply. But that takes world discipline, government intervention, and above all, a global food reserve. The man we are sending to head our delegation at Rome, Agriculture Secretary Earl Butz, opposes government intervention and "bureaucratic control"; he is a rigid ideologue on free markets. He and our lack of policy may well wreck the conference.

Everything depends on the United States. It is different from the Bucharest Population Conference, also under UN auspices. Nobody at Bucharest could control the options of 125 nations. But food is different. The United States is to food what Arabs are to oil, only more so. About half of all exported food, by bulk, is American food. We are by far the biggest.

When you think of America's riches don't think of coal, steel, factories: think of 15 feet of fat humus under the cornfields in Iowa farmland. And the right climate and water supply! For 25 years the world looked confidently to the US as a food bank. We had so much food we gave it away and pretended it was humanitarian. The mystic word for foreign charity was "P.L.480," the law that permitted cheap shipments. At home the food stamp plan was as much to empty bulging grain bins as to fill hungry kids. Now it's all changed.

It's changed because upward world population has finally intersected upward world food supply and will stay that way till we do something about it. Consider these items: the world faces, for the first time, shortages in four basics—land, water, fertilizer and energy. The best arable land is mostly under the plow and the big struggle may be for water. (Imagine a war over cloud seeding!) The oceans are overfished; believe it or not, the sea catch of table fish has steadily diminished since 1970. The affluent nations including Russia are following America's example and eating more meat (a particularly "wasteful" use of grain). Food and fertilizer prices (fertilizer comes in large part from natural gas and oil) are way up. In sum, the great American food bank is depleted; 50 million previously idle US farm acres have been thrown into the struggle, but still US grain reserves as a ratio of world consumption are down to a scary 26 days, compared to 95 days in 1961.

The trouble with hungry people is that they make such a fuss about it. They don't go off quietly and die. They're not gentlemen. Maybe a billion people go to bed hungry at night. And there are 80 million more people born every year.

On yes, we can raise more food! We can grow bananas on Pike's Peak. Most food experts agree that increases must now come from the developing countries themselves, the hungry countries. If India's per acre yield equalled the US it would more than double grain production. All that it needs is cheap fertilizer, insecticides, energy (to pump water) and capital; redistribution of land, reform of the tenant system and a revolution in social structure.

To do the least of these things takes time. And above all, for the minute, there must be a global food reserve system. The United States should take the lead, says the prestigious Committee for Economic Development in an important report this week: US government farm policy "has not kept pace," "has no formal established reserve stocks policy"; "we urge a spirit of leadership." And so the eye turns naturally to Mr. Butz.

Butz is the man who gave you the secret subsidized 400 million bushel Russian grain sale in 1973. That raised wheat prices fine. Some in Washington are so convinced of Butz's hatred of government intervention that they cannot believe he will cooperate at Rome. Yes, they say, he will make liberal professions, but include unacceptable American conditions. Some call the conference a fiasco in advance. Butz is smart, single-tracked, tactless, and he is after one goal, high US farm prices. When housewives boycotted meat he blurted "prices are at a 20-year high and they should be; it's about time that things were getting better."

To him a food reserve, domestic or international, means restraints: "that means less chance for a profit for farmers," he said July 26. When it was noted that the US uses 15 percent of its fertilizer for lawns, cemeteries and golf courses, or as much as India uses on farms, and that a ton of fertilizer in the US yields only five tons of food but in starved India a dozen, he said, "I think Americans want their golf courses."

As to famine—"we must not get hysterical," says Butz. He is as cheerful about hunger as other Ford advisers are about recession. Has America lost its food reserves? Butz rejoiced before the American Bakers Association, September 18: "Our grain bins are empty," he boasted, attributing it to good planning. "The road we are now planning," he added, "moves management in the food complex away from the bureaucratic hierarchy of Washington." Fine!

The countries at Rome expect a major new commitment from the US, says Lester Brown of the Overseas Development Council, in a handy new paperback primer, *By Bread Alone* (Praeger; $3.95). The CED report this week, prepared by a dozen prominent business leaders, says, "We recommend that the federal government assume the principal responsibility for establishing stockpiles." President Ford pledges support, Henry Kissinger opens the conference, and then Butz takes over.

Warnings go up everywhere. Without mentioning Butz, FAO Director General Dr. A. H. Boerma said last week: "Any purist concept of international free trade in food is dangerously outdated."

Hubert Humphrey, who first proposed the conference and who will attend as an observer but not a delegate, told the Senate this month, "He [Butz] concedes that he is strongly opposed to domestic and international food reserves . . . I am disturbed that we do not seem to have a clear-cut policy."

With six percent of world population the US consumes 40 percent of the world's resources and exports half of all exported food: it has the awesome power to decide which of 40 undeveloped countries survives, which starves.

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Rockefeller and The Congress

Rich men who seek or hold high public office seldom use much of their own money to get ahead; they use the money of others. One thinks of the admirable former governor of New York, Averell Harriman. So the case of vice presidential designate Nelson Rockefeller is unusual, if not unique. Before considering the propriety of his many large gifts, however, or the manner of their disclosure, or the behavior of his congressional examiners, or Mr. Rockefeller's reaction to the exposure he is getting, we wish to note with some misgivings a present-day impulse in politics to cut down rather brutally men who rise to prominence. This observation is not made in defense of Mr. Rockefeller nor in disparagement of justified attacks on public servants who abuse their power. The country is working out a new standard of ethics for its leaders, and that is all to the good. But the impulse to go for the jugular is dangerous because, if unrestrained, it excites a meanness and cynicism that are ultimately destructive of disinterested public service. Having made that preliminary point, we move on to the particulars of the case.

Members and staff of the Senate Rules Committee, along with this journal and many Americans, were inclined to underplay the implications of Mr. Rockefeller's wealth, being reasonably satisfied that President Ford could not, or would not, have made a better choice for Vice President. Mr. Ford had asked for quick consideration of his nominee, and GOP loyalists echoed that request, hinting that any delay smacked of partisanship. The Rules Committee, which normally handles mundane housekeeping chores for the Senate, turned cautious, as it had reason to, having dealt this past year with preparations for an impeachment trial. It had not finished writing new rules for any future impeachment proceeding when it was handed the Rockefeller nomination. With nine members and little staff assistance, the committee turned to other investigative bodies for the preliminary fact-finding. The Attorney General was asked to undertake a full field FBI inquiry. The Joint Committee on Internal Revenue Taxation was asked to audit Rockefeller's taxes for the last six years, since that committee had studied President Nixon's tangled taxes. The joint committee immediately obtained the assistance of the IRS, including some 30 agents, many of whom were already engaged in a regular audit of Rockefeller's taxes. A trained investigator from Sen. Jackson's permanent investigating subcommittee was loaned to the Rules group to quarterback other inquiries that would be carried out

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by investigators borrowed from the General Accounting Office.

Because of the complexity and the confidential nature of Rockefeller's taxes, it was decided that only the committee chairman, Sen. Howard Cannon, and the ranking Republican, Sen. Marlow Cook, along with two top staff assistants, would see the returns. Thus on September 23, when Mr. Rockefeller appeared for the first of three days of public hearings, only those four plus the borrowed chief investigator were clued in. Rockefeller's gifts, later leaked to the press and widely discussed, were treated casually, although Sen. Cannon is said to have written the nominee asking for more details prior to his appearance. The first three days of interrogation were general and gentle. The only tough questioning was prompted by a series of memos from the Senate Watergate committee, which showed that Mr. Rockefeller in the summer of 1972 tried to get Nixon campaign aides John Mitchell and Clark MacGregor to intervene in a controversial government contract for New York-based Grumman Aircraft. The Rules Committee did not have before it the report of the Joint Committee on Internal Revenue Taxation, and so chairman Cannon skirted the tax issue. That was remedied after the press learned of the Rockefeller gifts, a leak that Senate aides say came from the House side. The committee staff then asked the FBI to go back over its earlier investigation and instructed its own two-man elections subcommittee staff to study Rockefeller's political spending. Almost every day new tips are received by the committee, some of which go to the GAO, a few to the FBI.

Meanwhile Rules members have been watching Mr. Rockefeller's response to news stories, particularly his initial denial of any knowledge of the Victor Lasky campaign biography of Arthur Goldberg, followed later by an apology and statement by Mr. Rockefeller that he should have halted the project when he first learned of it.

Barring some major new disclosures, there isn't much doubt that Mr. Rockefeller will be confirmed after he returns for further hearings November 13, though his composure will be put to the test. Among the questions bound to be pressed, the first and principal one deals with financial gifts.

Since 1957 Mr. Rockefeller has given nearly $1.8 million in gifts and loans to 18 former or present public officials. Four of them will have close scrutiny. William J. Ronan, chairman of the powerful, independent New York-New Jersey Port Authority, received $115,000 in gifts as well as six loans totaling $510,000. The latter were all forgiven during a two-week period when Ronan was off the New York state payroll and thus not subject to the state's gratuities statutes. Public interest in the Ronan gifts has been heightened by the refusal of both the donor and recipient to explain why such a vast sum was given to a man who had an $80,000-a-year state salary. It will be noted that Ronan participated in the still secret merger of the New York Port Authority and the Metropolitan Transit Authority, a merger that wiped out the power of a key Rockefeller opponent in New York, Robert Moses. The other participants in that deal were Gov. Rockefeller himself and, as representative of the Authority creditors, David Rockefeller. The committee is expected to supplement Rockefeller's testimony with that of Ronan and brother David.

Next there is L. Judson Morhouse, New York State Republican chairman in 1957, when Rockefeller entered state politics. Morhouse was lent $100,000 in 1959, one year after Rockefeller won the governorship. At about the same time Morhouse also received a $49,000 loan from Laurance Rockefeller, with which to buy stock in two of Laurance's fledgling corporations. Morhouse subsequently was named by Rockefeller to the State Thruway Commission. In 1968 Morhouse was indicted and convicted in a liquor-licensing case involving the New York Playboy Club. Two years later he was pardoned by the governor for reasons of health: he had cancer and Parkinson's disease. Morhouse earlier sold some or all of his stock in one of the two Laurance Rockefeller corporations, paid off the entire loan to Laurance and retained almost $20,000 in profit. His stock in the second company was later sold for a reported $200,000. In 1973 some $86,000 of the original $100,000 Nelson Rockefeller loan from 1959 was forgiven. Both Morhouse and brother Laurance may be summoned to explain these transactions.

Then come questions about Mr. Rockefeller's gifts to other political candidates, as well as contributions to his own campaigns. Exact figures are hard to come by. New York's secretary of state has destroyed all financial records of Rockefeller's gubernatorial campaigns as well as those of other candidates, as he had a right to do. The new state elections board kept only one financial filing for a Rockefeller group, known as Friends of the Rockefeller Team, which in 1971 and 1972 was located in the building that housed the New York Republican State Committee. That single record suggests why the old records might interest the Rules Committee. For instance in 1971 the Friends reported contributing $55,200 to a dinner for Charles Goodell, who a year earlier had lost his Senate seat. Another $20,411.74 went to a New York City judge. Seven thousand one hundred and twenty-five dollars went to a Buffalo clergy organization.

What other politicians, including congressmen who now must vote on his confirmation, got money from Rockefeller or his campaign organizations? The Rules Committee has asked the nominee to identify as political donations any pertinent gifts listed on his tax returns, since all donations above $3000 are supposed to be itemized. The committee has also asked him to report all his political contributions in recent years above $1000.

Not the Congress, but the news media disclosed the

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secret financing of that sleazy book on Rockefeller's 1970 gubernatorial opponent. The committee intends to explore the Goldberg book in detail. It almost certainly will call New York lawyer John Wells, a longtime campaign aide to the former New York governor. It was Wells who arranged for $60,000 from Laurance Rockefeller to find its way via a Philadelphia law firm to a paper corporation, which in turn paid for publication of the attack on Goldberg.

The committee may also get into the circumstances of Mr. Rockefeller's curious 1969 trip to Latin America on behalf of President Nixon. Rockefeller apparently paid some $760,981 of the cost personally, later deducting his expenses from his income tax as a contribution to the government. The Internal Revenue Service audit disallowed the deduction as a business expense but did permit deductions to be made at the lesser rate reserved for contributions to foundations. This mission on behalf of the United States included some 20 experts picked by Mr. Rockefeller, including World Bank president George Woods, IBM international president Arthur Watson, former US army southern command Gen. Robert Porter, and a handful of college presidents and professors. Four separate flying trips to Latin America were made over a two-month period. Riots broke out in several of the visited countries and certain scheduled appearances were cancelled. The venture represented what a former Rockefeller associate terms the governor's penchant for the "grand lunge," the big event that captures public imagination.

Prolonged hearings are to come, and although that may distress those who can't forget that Speaker Carl Albert is now next in line for the presidency, the prospect is not all bad. Congress, responding to the country's new found passion for disclosure, is well advised to look very carefully this time before it leaps. There are a number of unanswered questions. Should some controls be put on Rockefeller's gifts and political contributions if he becomes Vice President? What size private staff will he maintain to supplement his official entourage? What about his Critical Choices Commission, a high-paid, tax exempt, think-tank-type operation originally conceived as a vehicle for Rockefeller's 1976 presidential campaign? An effort was made to get one million dollars in federal money for the commission, and when that failed, one million dollars of its $3.5 million budget came as a charitable donation from Mr. Rockefeller.

Confirmation hearings followed by votes in the Senate and House are a poor substitute for party nomination and national election that normally determine who will be Vice President of the United States. But the three or even four months Congress may spend on Nelson Rockefeller's past actions and present qualifications may instruct the nominee in much the same way he would have been instructed by traveling the national campaign trail. And the public and Congress will likewise benefit from that education.

On Being Sixty

Sixty years equals more than 3000 issues of *The New Republic* and millions of urgent words addressed to that loyal company described by the late S. J. Perelman: "an old subscriber of the *NR* am I—prudent, meditative and rigidly impartial." Having blown the bugle for reveille for so long, we've become accustomed to rising early in the mornings, impatient to discover to what scoundrelly deeds and impending catastrophes the literate American public must be awakened.

It was 1914 when Walter Lippmann, not long out of Harvard and one of the founding editors of this journal, sent "a bit of good news" to his friend Van Wyck Brooks: "We're starting a weekly here next fall, a weekly of ideas—with a paid-up capital—God save us—of $200,000. The age of miracles, sir, has just begun." It was not, alas, an age of miracles that had begun but an age of murder. Between the planning and the publication of the first issue, war had broken out in Europe. Nor was the miracle of the $200,000 in the bank ever repeated. If profitability is the only test of value, *The New Republic* must be accounted a ne'er-do-well. But none among our 100,000 or so subscribers would stoop to apply so crass a test to so lofty an enterprise in independent journalism.

That the magazine has survived does suggest, however, that there was something to Mr. Lippmann's remark about miracles. Think of the excellent publications that were alive in 1914 and are no more—*Harper's Weekly, Independent, Forum, North American Review, Dial, Outlook, McClure's, The Masses, Vanity Fair,* the old *Life,* or the admirable magazines that came in the '20s and have gone—*Freeman, The American Mercury, Review of Reviews, Saturday Review of Literature, Century, Scribner's, Smart Set.* Old names

To Our Readers

With this 60th anniversary issue *The New Republic* is changing from newsprint stock to a better, coated paper. In recent years increased costs and unstable supply had forced a steady deterioration of the paper we used. Many libraries and other subscribers wrote to tell us—what we already knew—that our newsprint was so brittle that it crumbled in rather short time. In going to this new coated stock, we now have a journal that is easier to read, more congenial to graphics, and longer lasting. It may also help to increase advertising revenues, which would allow us to retain the current $17-per-year subscription price in spite of inflation. We hope you will like our new look.

The Editors

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faded, old ideas too. In 1916 the then radical editor, Max Eastman, wrote that, "we of *The Masses* would like to assemble the power that will do something; they of *The New Republic* are satisfied to instruct the power that won't. That is the difference between these two groups of editors." History mocks the distinction. The power "that will do something" was not in the revolutionary cadre that seemed so promising to *The Masses*. Or rather, when that power prevailed it made a graveyard.

So *The New Republic*, feeling its age but not as an infirmity, continues to be what it was to Mr. Lippmann: "the organ of no party, of no faction, of no sect, of no cause"—unless the cause be "the tradition of civility in our Western society."

At our 50th anniversary dinner 10 years ago, Sen. Paul Douglas recalled the appearance of the first issue, "the sensation I had then, when, as a student at Columbia, I ripped off the brown paper cover [it was ripped off later by inflation], my hands trembling with eagerness to see what was inside." The test of *The New Republic* in forthcoming decades will be whether it can generate that kind of excitement, that feeling on the part of readers that the editors are making some sense out of the jumble of events.

The five 60th anniversary issues, of which this is the first, are intended to contribute to that end.

The Right Side

We published last week the votes during the past two years of the House of Representatives on 12 "key" issues, rating each member plus or minus according to whether he or she did or did not agree with the editors of this journal. The dozen litmus paper votes selected could easily have been replaced by a dozen others, but the 12 seemed to us indicative of the variety of problems with which the House has grappled as well as the interests to which each member is loyal, and the quality of his judgment. The chart gave us a few interesting facts, though few weighty generalizations. Readers studying the chart will see that House votes were misidentified in the captions at the top of the pages. To identify the votes correctly one must refer to the numbered paragraphs describing the votes on page 14. The Senate votes were captioned correctly.

There were 46 members who voted in accord with our thinking at least 11 out of 12 times, and who missed no more than one vote. None is from the South. Only one is from the Southwest (Texas). Four of the 46 are black. Almost all of them have urban constituencies (39 out of 46). Fourteen attended Ivy League schools. Thirty-one are lawyers. Thirty-nine have advanced degrees. Nine have taught school. Seven of the 46 are Republicans. The entire group is not predominantly anything by religion, being a mixture of Protestant (one Mormon), Roman Catholic, Jewish, Greek Orthodox. The average age is just over 50.

The 46 representatives come from 21 states. Or to put it differently, a majority of the 50 states had no one in the House of Representatives who rated highly by our standards. If one lists the states by performance, that is, states that produced the highest number of plus votes on the 12 issues, they would fall in the following order: Hawaii (100 percent), Massachusetts (50 percent), Maryland (37.5 percent), Iowa (33 percent), Wisconsin (33 percent), Arizona (25 percent), New York (20 percent) and California (16 percent).

Of the 435 members of the House, only 15 scored 100 percent by our reckoning: Morris Udall (D) of Arizona, Robert Leggett (D) of California, Patricia Schroeder (D) of Colorado, Edward Mezvinsky (D) of Iowa, Gilbert Gude (R) of Maryland, Otis Pike (D) of New York, Lester Wolff (D) of New York, Edward Koch (D) of New York, Jonathan Bingham (D) of New York, Charles Whalen (R) of Ohio, Edward Biester (R) of Pennsylvania, Lawrence Coughlin (R) of Pennsylvania, Robert Kastenmeier (D) of Wisconsin, Henry Reuss (D) of Wisconsin, David Obey (D) of Wisconsin. We might add those whose votes were all "plus," but who missed one vote: Yvonne Burke (D) of California, George Brown (D) of California and Michael Harrington (D) of Massachusetts.

On the Senate chart, one man voted "right" on all 12 issues: Adlai Stevenson of Illinois, and two never voted wrong (but they missed a roll call): Walter Mondale of Minnesota and Alan Cranston of California.

Abortion, Guns, Busing

Three Incendiary Issues

Hutchinson, Kansas

The last question Sen. Robert Dole (R) asked Rep. William Roy (D) in their debate before a state fair audience (it was telecast statewide) was his stand on abortion. Roy gave what has to be considered a relatively guarded response—he's against "pro-abortion" laws and thinks the Supreme Court ruling is pro-abortion, as is a law that lists eight or nine or 10 conditions under which abortion can be performed. He himself had performed abortions as "a medical necessity" in his role as a physician. Dole thereupon told the several thousand people assembled that they'd just heard his opponent say he's for "abortion on demand." There was a stunned silence. Then the audience started booing, so loud and so long Dole was forced to stop speaking and yell back "you'll see." Some tore off Dole stickers and put on Roy stickers and even Dole's strongest supporters groaned.

The incident pointed up two things. First, Dole is

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the same old machete chopper of the Nixon era, and he's swinging wild now that he's trailing in his bid for reelection. Second, this is the year of the "right-to-lifers" and hard-pressed GOP candidates everywhere see a chance of shaving a few percentage points off the Democratic vote by appealing to anti-abortion sentiment among working-class Catholics, most of them Democrats.

Roy is convinced that abortion will be the issue that beats him if he finally loses to Dole by 10,000 votes or less. He's therefore spending a good deal of time meeting quietly with priests and nuns to explain his position. He's convinced that 80 percent of them find his position acceptable, and that many in this group are concerned lest he conclude abortion is the only issue of interest to them.

His first scare came when the primary returns showed him running under his statewide average in the two Democratic counties in the state—Wyandotte (Kansas City) and Ellis (Hays), both heavily Catholic. The explanation here, however, may be that his primary opponent, former State Treasurer George Hart, had a residue of support in those two counties.

The rise of the right-to-lifers as a political force, like the similar rise in the clout of busing foes and "gun nuts," is the latest example of the power of special constituency groups in a time when traditional party loyalties are fading. The cracking of old allegiances opens the way to this new brand of constituency politics, tied to a single, highly emotional issue. In the case of the right-to-lifers, there's an ironic twist. Polls in most states show a majority, albeit a slender one, content with the Supreme Court ruling. But these same polls show three or four percent of the voters will be influenced solely by their opposition to the Court's decision. That three or four percent, many of them working-class Democrats, worry a man like Sen. Birch Bayh (D), locked in a bitter campaign for reelection with Mayor Richard Lugar of Indianapolis. Bayh is chairman of the subcommittee on constitutional amendments and was pressured into holding hearings on the array of amendments proposed to repeal the Supreme Court ruling. Much of the pressure emanated from Catholic churches in his state, often fanned by parish priests who urged their flock to write their senator. Both times he's run, Bayh's margin has been slim, so slim a three or four percent defection of Democrats could cost him the election. So he lives with a gnawing fear that the Catholic clergy in his state will attack him from the pulpit just before the election. Gov. John Gilligan of Ohio has less to fear, since he is a Catholic and has said he is personally opposed to abortion on moral grounds. Nevertheless Gilligan has been peppered with hostile questions because he supports the Supreme Court ruling as the law of the land.

Busing is somewhat different. Despite polls showing an overwhelming majority opposed to forced transporting, the issue has usually been limited to communities under a court order to use massive busing to integrate. In states like Michigan, support for busing collapsed in the face of the roar of outrage from working-class Democrats. This year, it's alive in at least three communities—Denver, Indianapolis and Boston.

The opponents of gun control aren't as active this year as they were in 1970 when they contributed to the defeat of Sen. Joe Clark (D) in Pennsylvania and Joe Tydings (D) in Maryland in the aftermath of the strong push for gun legislation that grew out of the assassination of Robert F. Kennedy. But they're still there, as Bayh is finding out. He sponsored a ban on "Saturday night specials," the little hand guns used in so many crimes, and has the "gun nuts" working him over.

To GOP candidates, abortion, busing and gun control are godsends in a year in which they're on the defensive. These special constituency groups must have a close election they can decide by throwing a few percentage points one way or the other. I doubt if this is the year for them. A Democratic landslide appears to be building up from the industrial Northeast all the way to the Pacific coast, and the right-to-lifers, the foes of busing and the gun nuts are all apt to be buried under it.

Paul R. Wieck

Demagoguery in Boston

The Politics of Busing

Boston

On historic Telegraph Hill the burly state troopers set up a protective gauntlet as black students from Roxbury file off their yellow school buses and enter South Boston High School, where about two-thirds of the whites have been boycotting classes since court-ordered desegregation began September 12. The crowds of angry, rock-throwing and epithet-shouting whites are gone now, but school boycott signs are still displayed in front windows of the neighborhood's Victorian houses, and on a nearby street pavement, a fading, hand-painted sign reads: "Niggers Go Home." Outside the Hill Stop Delicatessen, a woman surveys the scene: "It's those politicians, like Mayor White—we call him Mayor Black in 'Southie'—who are shoving this down our throats."

Three miles away school buses that have traveled to pick-up points in white Irish-Catholic South Boston, pull up in front of Roxbury High School in the heart of the city's principal black section. Only a half dozen whites have made the trip. Most of the buses are empty but are nonetheless going through the busing ritual. "If the white politicians, like Hicks and Kerrigan, hadn't out segged each other and fought the law for

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years, the kids would be coming here," says a black community worker.

In the ethnic neighborhoods, politics is an institution rivaling the church, the home and the tavern. And when President Ford opposes the federal court order desegregating Boston schools; or when Massachusetts Gov. Francis W. Sargent, trailing his Democratic opponent, calls out the national guard; or when Mayor Kevin White, who must win big locally next year to qualify for a spot on the national Democratic ticket as Vice President, switches his stand on racial balance, the white ethnics and the blacks—the real Bostonians—immediately detect a hidden political agenda.

The continuing school crisis in this "cradle of liberty" serves as an ironic commentary on the stereotype of Boston and Massachusetts as the only dissenters from the Nixon election and as the originators of the nation's first open housing law and its toughest school racial imbalance statute. As Dan Richardson, a former federal housing official, put it last week: "We pass great laws here, but when it comes to Boston, there's never any enforcement. This must be one of the most segregated cities anywhere in housing and in schools, North or South."

Nine years ago the state legislature passed the Racial Imbalance Law, requiring local school districts to operate no school in which the nonwhite enrollment reached 50 percent, or face the loss of state education funds. Ever since, Louise Day Hicks, a long-term member of the school committee, one-time member of Congress, now a member of the city council, but twice a loser for mayor; John Kerrigan, the current school committee chairman, and other politicians, have ridden to their victories on opposition to the law. Repeatedly state education commissioners have rejected school committee attempts to evade the statute. Two years ago the state education board cut off a total of $52 million in state aid to Boston, but after a 15 months freeze, a state court restored the funds, ruling the state-ordered desegregation plan went beyond limitations written into the law. Subsequently the state supreme court upheld the plan. But the state board waffled and gave the city an additional year to desegregate. Exhausted by seven years of waiting to see whether the law would be enforced, the NAACP filed suit two years ago. Fifteen months after the case was heard, US District Judge W. Arthur Garrity issued his finding that the school system was deliberately and unconstitutionally segregated.

As the day of reckoning in federal court approached, politicians gradually abandoned their support of the symbolic law. Back in April 1973 Mayor White, who defended the law in 1967 and 1971 races against Mrs. Hicks ("You Know Where I Stand"), supported its repeal and called for voluntary busing of blacks to the suburbs. Last March in an election year, Gov. Sargent also switched, proposing that blacks have a free choice, aided by state help, in choosing white city or suburban schools. And Michael Dukakis, Sargent's Democratic opponent known outside the city as the moderator of the public television program, "The Advocates," came up with his own concept of neighborhood control of schools as an alternative to racial balance. The Racial Imbalance Act was officially killed by the state legislature this summer.

With the politics of racial balance out of the way, politicians are now engaged in the politics of protection. Kerrigan and Hicks, who has kept a low profile recently, say in effect that children can best be protected by not busing them out of their neighborhoods. Sargent and White have recently broken their truce by arguing back and forth about whether city, metropolitan, state police, or national guard troops, federal marshals or the 82nd airborne division can best protect Boston's children.

The first 17 days of desegregation were punctuated with the familiar scenes of whites stoning buses carrying black children, racial fights in the schools, clashes between whites in South Boston and the hated TPF, the Tactical Patrol Force, and a successful white boycott that school officials say keeps out 5000 to 8000 of the city's expected enrollment of 94,000 students. Thousands more students have been kept home by fearful parents since the desegregation plan went into effect and mandated the busing of about 17,000 and the reassignment of about 45,000 to new schools.

In the fifth full week of desegregation, the violence and the politics escalated. On the weekend the TPF had ransacked the Rabbit Inn, a popular watering place. Many "Southie" residents viewed that as retaliation for an attack the day before on three TPF officers outside the tavern. On Monday October 7, a national television audience saw a South Boston mob brutally beat a black man, pulled from his car at a traffic light. On Tuesday Mayor White appealed to Judge Garrity for 125 federal marshals to replace city police in South Boston, but the judge turned him down, saying local and state law enforcement resources should be exhausted first. Disturbances at English High School that day led to nighttime rampages by black youths on the streets of Roxbury, including some assaults on whites.

The next day President Ford made his gratuitous press conference statement in Washington and later, Gov. Sargent responded to Mayor White's reluctant request and sent some 400 state and metropolitan police to stand guard at South Boston High. The mayor then blasted the President for having "fanned the flames of resistance that will almost inevitably lead to further disruption" and for having in effect told Boston and other cities, "you are on your own." But White added that he would not "publicly support of my own volition" further desegregation of city schools expected to be ordered by Judge Garrity next September,

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unless federal help—money and protection—was forthcoming. In turn Gov. Sargent criticized both the President and the mayor for undermining the court order.

With the state police on guard, the week ended relatively peacefully and a welcome three-day Columbus Day holiday weekend ensued. On Tuesday schools reopened and the politics of protection took a turn for the worse.

Mayor White asked Gov. Sargent to attend a City Hall meeting with Sens. Edward M. Kennedy and Edward Brooke to discuss the whole issue of protection. That morning, at Hyde Park High School, a troubled school in a white section considered one step above "Southie" on the status scale, a white youth was stabbed by a black—the injury requiring two days' hospitalization turned out to be much less serious than it seemed initially. Seven other students were hurt in a racial melee; the school was closed, and tensions mounted.

An hour before White's meeting, Sargent backed out and sent his lieutenant governor. Precisely at 3 pm, when the mayor's meeting began, Sargent called his own news conference to announce he had mobilized 450 national guard military police, holding them in armories as a precautionary measure. Acknowledging that Sen. Brooke and Mayor White, who stormed into his office, had not been consulted in advance, the governor said he was acting on reports of impending violence and partially as a direct result of the stabbing in Hyde Park. White's political aides put out word that the major was infuriated, that he regarded the national guard as incompetent to deal with civil strife, that he interpreted Sargent's move as a desperate political gambit by an incumbent some 20 percentage points behind Democrat Dukakis, who was White's running mate in an unsuccessful 1970 bid to oust the governor.

Sargent retorted that the political charge by White's lieutenants was "an absolutely irresponsible statement." The governor went on to imply that the mayor should have sought extra help sooner and that he, the governor, was forced to step into a leadership vacuum. Sargent's action was backed publicly by state Rep. Royal Bolling, Sr., of the black caucus in the legislature; other blacks ducked the issue, saying they still wanted federal troops or marshals, rather than the virtually all-white state police or national guard.

Meanwhile school attendance was creeping up and everyone waited for "the incident" that could lead to the national guard's taking to the streets and possibly even the dispatch of federal troops by the White House. One Beacon Hill observer summed it up: "It will all be more rational after the election, but then again, they're always running up here."

John Mathews

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White House Watch

On the Stump

Late on the night of October 19, nearly 16 hours after he had left the White House for a day of campaigning for Republican candidates in the November elections that had him making six speeches at two airports, a newspaper plant, a shopping mall, a party luncheon and a party dinner in South Carolina, North Carolina and Kentucky, President Ford strolled to the rear compartment of Air Force One and chatted with the five "pool" reporters who were aboard for the flight back to Washington. This Saturday was the sixth day since October 7 that he had spent campaigning in nine states and three more trips to four more states were scheduled. A reporter asked the President why he risked his prestige in exercises that were mostly dreary and, assuming that the chances of most of his candidates proved to be as poor as they seemed to be, mostly futile. "If I don't do anything and we lose," Mr. Ford replied, "Republicans in the House would say I didn't even try. At least I tried and if the results are better than the polls say . . ." His voice trailed off and he didn't finish the sentence. Counsellor Dean Burch, the staff assistant who managed the President's preelection efforts, had been saying for the record that Mr. Ford was going only to places where he thought Republicans had a chance to win Senate and House seats and state offices. Burch was talking for effect when he said this kind of thing. His actual view was that the President could fairly be said to be wasting his time if the only consideration was the number of votes he was winning for Republican candidates. What made the effort worthwhile, Burch was said to believe and Mr. Ford to agree, was that the President was showing that he cared about the election outcome and about his party in its season of trouble.

Regardless of what he might or might not be accomplishing for the Republican party, Gerald Ford on the stump revealed a good deal about himself. For instance he showed himself to be uncertain and defensive in ways and to a degree that the generally dim Republican prospects neither required nor explained. At the start of his preelection travel, notably in Detroit and Philadelphia, he omitted in his delivered speeches partisan praise of Republicans and criticism of Democrats that had been written into his prepared texts. It was as if he were imitating Richard Nixon's studied care in 1972 to disassociate himself from other Republican candidates and give as little offense as possible to the Democratic majorities in Congress. Later, particularly on his Southern trip, Mr. Ford grew positively savage in his attacks on the Democratic majorities. Thus in Greenville, SC: "We have a party controlling the Congress today that has controlled the national legislative process for 38 out of the last 42 years and for

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the past 20 straight years. It is a Congress, in my judgment, that is stacked against fiscal responsibility. And if they [the Democrats] increase their power instead of lose, if they multiply their strength, let me just make one observation: with a veto-proof Congress of the kind of membership they will get, tighten your seatbelts, folks. They will spend the dome of the Capitol right off Capitol Hill." From there, on this and other occasions, he went into his talk, rather odd for a former representative who still thinks and speaks of himself as a man of the Congress, about the evils of "legislative dictatorship" and the need for balance between congressional and executive power. Listening to this guff, I wondered at times whether he was going to beg his audiences not to give him Republican majorities. He didn't.

Gerald Ford the speaker seldom roused his audiences, even the clearly partisan devotees who had paid from $15 to $3000 to meet him at receptions and eat with him at luncheons and dinners. Generally he seemed to stun and bemuse both these select groups and the miscellaneous crowds at airports and in auditoriums when he addressed them. But Gerald Ford the visiting President roused them when he went among them and within hand-shaking distance of them at airports, in halls, on streets. At the Indianapolis airport, he was separated from the crowd by a steel fence topped with three strands of barbed wire. Screaming, shouting, panting men and women and children on their parents' shoulders thrust their hands between the strands and Mr. Ford thrust his hands through the wire to them. No blood was seen to flow. At a shopping mall in Rock Hill, SC, a beefy fellow grabbed the President's right hand and held it while shouting, "Gimme the button! Gimme the button!" Obviously baffled and disturbed for a moment, Mr. Ford finally realized that the man wanted the large WIN ("Whip Inflation Now") button on the President's lapel. The President gave the man the button. Several sturdy youngsters grasped both of the President's hands and pulled him toward them. Richard Kaiser, the chief of the traveling Secret Service detail, leaped to the President's side and pulled him away from the children before they pulled him off his feet. So it went, and it didn't mean a thing politically. To the end of his presidency, in the depths of ruin, Richard Nixon aroused the same frenzies in similar circumstances.

President Ford is likely to be remembered as Jerry the story killer. His principal composer of anecdotes and jokes is Robert Orben, a professional gagster who with his bald head and solemn mien resembles a monk in flight from a monastery. Some of the stories as delivered by the President during the week of October 14 were not worth killing. One of them follows exactly as Mr. Ford uttered it in Indianapolis: "As I was walking through the lobby [of the hall where he was speaking] a very friendly lady came up to me, shook my hand, and said, 'I know you from somewhere. But I just can't remember your name.' So in a friendly way I tried to help her out. I said, 'I am Jerry Ford.' She said, 'No, but you are closer.' " One of the President's favorites had to do with a golden retriever puppy that his daughter Susan and a White House staff photographer, David Kennerly, recently presented to Mr. and Mrs. Ford. I refuse to go through this nigh interminable tale. Mr. Ford first related it in Philadelphia on October 9 and was still telling it in Kansas City and Sioux Falls on October 16. At Sioux Falls, Bob Orben was observed during the President's rendition. Orben's somber countenance was suffused with delight. His lips were moving. He was silently reciting the story, word for word, as Mr. Ford told it at least the fourth time. At every stop in South Carolina, the President rang (and wrung) the changes on the facts that Senator Strom Thurmond, who was accompanying him, married a young and second wife in 1968 when the senator was 66 years old and has sired a son and two daughters. Thus: "You know, the motto of the sovereign state of South Carolina is 'Prepared in Spirit and Resources.' Strom Thurmond certainly has that. In fact, there are two days in particular when Strom really proves that he is prepared in spirit and resources. One is election day; the other is Father's Day." At Rock Hill a girl who looked to be eight or 10 years old recited the pledge of allegiance and provided Mr. Ford with a supplement to his Thurmond story. Orben was not present. The addendum was Mr. Ford's very own and it went as follows: "I shook hands with her and thanked her. But you know what Strom Thurmond did? He kissed her."

At Greensboro, NC, near the end of a tiring day, the President seemed to be unusually strident and emphatic during his airport speech. He was especially so when he flung his arms wide and said in conclusion: "Really, I look in your eyes and I plead with your hearts, and I beg with your mind that you maximize your efforts in the next ten days, two weeks, or two weeks and a half . . . I plead with you, I beg of you, not for yourselves, not for me, but for our country." At Louisville, the last stop, he appeared to be flushed, confused, unsure whether to address or handshake a small airport crowd. He did neither. Press Secretary Ron Nessen said the President used a two-hour interlude at a motel to nap and shower. That night he was brisk, assertive and repetitious during a speech that ran 28 minutes and seemed much longer. None of the accounts that I saw of the airborne chat mentioned at the start of this piece included the following passage in the pool report: "The President was in shirt-sleeves, holding a drink. He shook hands with the newsmen present and at the suggestion of one of the photographers placed the drink down on the table [out of sight] while he talked and was photographed."

John Osborne

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THE CRISIS ECONOMY

A Special 60th Anniversary Supplement

Perfecting the Corporation

What Comes After General Motors

by John Kenneth Galbraith

On most things that are used, enjoyed or are otherwise in the service of man, improvement or, anyhow, change is assumed. In technology and science a quest for something better is required. So, certainly, in the production of goods. So also, in principle at least, in government. To be sure we are less confident than we once were that what is new is better. It may be only different and a handle for the advertiser or salesman. And, as with DDT or the SST, there is a heightened suspicion that long-run damage may outweigh short-run miracles. But on one thing agreement remains. Man must keep trying. To say that anything artificed by humans—machine, consumer product, service, organization—is perfect and thus beyond further change, is intolerable—a declaration of intellectual and possibly even moral bankruptcy. Jove, or more likely the immediate appearance of a brilliant innovation, strikes such people down.

There is, however, one exception. That is the modern large corporation. It is the final work of God and man. In the United States belief in its final excellence is nearly absolute. There is a continuing discussion in economics departments and law schools as to whether it is too big and should be broken up. All but the most pathologically optimistic or intransigently imperceptive recognize that this discussion is academic, even liturgical. Nothing, it is known, will happen in practice. But there is no discussion of how the corporation might be altered as to ownership or restructured as to management and public control. In Europe matters are only marginally different. In Britain, in the past year, there have been proposals from within the Labour party for the nationalization of a selected list of large corporations. These were accompanied by energetic, on occasion rather desperate, assurances from avowedly more responsible leaders that nothing in the way of practical action really was meant. In the last election the left coalition in France offered a platform of nationalization for a number of large corporations. In the modesty of its dimensions it was meant, if anything, to be an assurance that French socialists and Communists, like other people, accept the existence of the modern, privately owned corporation.

So General Motors is, indeed, the final work of God and man. That this is so is more than slightly strange, for it, and its corporate counterparts, are known to displease a great many people. Their products invite less than universal acclaim. They are thought unresponsive to public need and convenience. Legally through their executives or illegally by various laundries they were shown to have bought heavily into the Nixon administration. While it is accepted that it is more wicked to receive than to buy, these corrupt acts did not escape criticism. In its pricing, procurement of materials, persuasion of consumers and distribution of the resulting income, numerous scholars now concede that the modern large corporation functions increasingly as an independent force—as an instrument for the exercise of power in which there is responsibility only to itself. In short it is thought, on many matters, to exercise an undue power in, perhaps even above, the modern state.

Thus that the corporation should be exempt from

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the general and required instinct for change and improvement is surprising. One is led to wonder if one of the more subtle, but also one of the more vital, instruments of its power is the way in which it makes unfashionable, even vaguely eccentric or irresponsible, all discussion of how its basic constitution might, over time, be changed or reformed. One wonders, certainly, if its greatest support, accidental or conditioned, does not come from the accepted or neoclassical economics that, at least until recently, was the unquestioned basis of all economic pedagogy in all parts of the non-Communist world. This makes the modern corporation the nearly powerless automaton of the market and thus largely excludes from view, and therewith from discussion, the exercise of authority that it enjoys. My purpose here is to raise the question: were the large modern corporations not exempt from the general quest for change and improvement, along what lines would this proceed? I have, I must confess, little hope of such progress. But surely we should now get the discussion underway.

The central tendency of the modern large corporation—and the source of the problems that increasingly provoke discussion—can be quickly summarized: with time, increasing size and increasing technical and social complexity of task it loses its legitimacy as an entrepreneurial and capitalist institution; it becomes instead an instrument of its own organization. There is even considerable technical agreement among students of the corporation as to what occurs. In the large, fully developed, modern corporation the stockholder or owner is a functionless and powerless recipient of income or capital gains or, as of late, capital losses. He is represented liturgically by a board of directors that is selected by the management and that, in one of the most predictable rites known to political theory, then appoints the management that appointed it. Token ownership of stock is required. But no member of the board of General Motors owes his position there to the votes he commands. (The last man of whom this could be said was Charles Stewart Mott, who died in February 1973. His entrepreneurial drive in pursuit of his property interest had by then receded a bit, for he was 97.) Until a few years ago all directors of the Standard Oil Company of New Jersey, now Exxon, the second largest in assets among American industrial corporations, were members of the top management hierarchy itself. They elected themselves to the board that appointed them to their management posts. Such elections are hard to lose, such appointments hard to miss. More recently, this arrangement being so candid as to seem a trifle obscene, some outside directors have been selected. The selection, of course, is by the management. Nelson Rockefeller rightly claims that he is not a power in the process, although one doubts, also, that he will ever be a force for its reform.

The effort to conceal managerial or bureaucratic power is not without interest. Although the euthanasia of stockholder power has long been recognized as a basic feature of the development of the great corporation—in the United States ever since the path-breaking work of Adolf A. Berle and Gardiner C. Means in 1932 (*The Modern Corporation and Private Property*)—the reality remains a little embarrassing. So the board of directors is accorded ratification rights where spending money is concerned; this is because action involving money always conveys the impression of power. Also members of the board are usually of mature years; the respect that civilized men rightly accord to age or incipient senility adds to the impression of authority. So, in even greater measure, does the impressive solemnity that surrounds directorial proceedings. All this keeps alive the myth of stockholder power, and important interests are thus served. The corporate management is given an aspect of legitimacy. The comfort-seeking economist can continue to speak of an owning and profit-maximizing entrepreneur who is the pivot of his system and, in a more practical way, of his pedagogy and his textbook market. The radical is allowed to keep the capitalist as an enemy rather than the faceless industrial bureaucrat. But it is a charade and should mislead no one—and in fact it misleads no one save the innocent and those with a vested interest in error. The modern large corporation is a powerful thing. And it is a creature in the service of its own bureaucracy—of the massive organization that I have elsewhere called its technostructure.

The characteristics of the modern great corporation are the source of its shortcomings and the associated dissatisfaction. They would also be a guide to the proper lines of change and improvement, were such discussion to occur.

Having independent power and being the creature of its own organization, the modern corporation, not surprisingly, serves the purposes of its own management. These being different from that of the public, the public is less than pleased. Specifically the corporate bureaucracy, like all organization, seeks its own expansion. On such growth and aggrandizement promotion, resulting salary, resulting prestige and resulting perquisites of the management depend. Increasingly the persuasion of the customer and the power of the state are brought to the support of this expansion. Those who are not persuaded or who do not concur in this use of the power of the state—who are not enamored of the weapons, space exploration, industrial research and development, highways or other supporting outlays that it requires—deplore the result.

Also the expansion that rewards the industrial bureaucracy proceeds at different rates in different industries—in automobiles more rapidly than in refining capacity, in air conditioning more rapidly than

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in power supply, in advertising more rapidly than in newsprint. Nothing reliably relates growth in one industry to growth in related and dependent industries; thus we have fuel crises, power crises, newsprint crises. And we find governments creating planning authorities to do what the market no longer accomplishes. This is true even of a Republican administration in the United States, although the word czar is here preferred. Czars are feckless and incompetent but indubitably conservative. So the term is thought semantically sounder than planner, which might suggest socialism.

We also have complaint that growth is increasingly indifferent to environmental constraints—that industry (or its products) is negligent in its treatment of air, water, the countryside or our ears. That a bureaucracy, empowered to pursue its own interest in growth, should be hostile to environmental efforts accords also with expectations. So do the recent claims that inflation could easily be cured by allowing a little more air pollution. In the modern large corporation truth tends to be what best serves interest.

We have also, in highly visible form, the effect on the distribution of income. There is first the distribution within the corporate hierarchy itself. As an individual rises in this hierarchy, his bureaucratic power increases—and among the things so increased is the power to set his own compensation. This compensation in the large corporation has become increasingly great. And no one can any longer pretend (although some do) that it depends on the scarcity, and thus the market price, of the talent involved. It is the nature of organization that it takes men of average ability but diverse knowledge and combines their efforts for a result that is far better than any individual could achieve. To a marked extent it provides a substitute for exceptional talent—something that is recognized in practice in the total indifference of the stock market to changes in command in the great corporation and the Stygian obscurity into which the greatest entrepreneur disappears on the day he retires. Unremembered is the name of any past president of General Motors, General Electric, General Dynamics or General Mills.

Not only is compensation in the modern corporation unrelated to function, it can, on occasion, be inversely related to performance. Thus the letters ITT are now a code-reference to ill-considered and improper exercise of political influence. Political matters are peculiarly the responsibility of top management; on nothing, one would expect, would the man in charge be held more sternly to account. And this is especially so if the effect of such maladministration on earnings and securities values is adverse. Earnings of ITT were sharply down in the third quarter of 1974 and somewhat off earlier in the year. The several securities of the firm are stored cheek by jowl in all portfolios with the more reprehensible cats and dogs. Harold Geneen, the head of ITT, is one of the three or four most highly paid executives in the United States—in 1973 he received $814,299 in salary and bonus, up modestly from $813,311 the year before. On performance he should be paying the company. In 1973 the chairman and chief executive of General Motors, R. C. Gerstenberg, received $923,000, and President Edward N. Cole, $833,000. This for both was also an increase. It was the year in which these men failed to foresee the fuel shortage and the shift to small cars, again something you would expect of top management. In the first quarter of this year GM profits were off about 85 percent as compared with 12 months earlier, and in the second quarter 62 percent. The salary of the chief executive of the large corporation is not a market reward for achievement. It is much more in the nature of a thoughtful personal gesture by the individual to himself.

In the large corporation the primary expression of pecuniary motivation is the salary of the executive—although even in a society where pecuniary motivation is not only praised but cherished there is a reluctance to concede this fact. It is not thought quite right

The Economic Situation

The business of America is business,
said Calvin Coolidge. To which
one might say, if one could speak,

"There's no business like no business."
To which a critic might say, "None
of your business." To which one might say again,

"I'll make it my business."
Others say: "Crime is just another word
for what the streets are lined with."

Business is looking up, I hear, for locksmiths,
for independent sorts, for free lances,
the kind of gentlemen with knowhow,

who know how to profit
from the self-fulfilling prophecies
of more and more crime. It's good business,

locking things up, and tight, too.
Business is looking up for locksmiths
and down for everyone else. Take care

when business is looking up for people
whose job it is to keep
your things safe from other people.

TODD GITLIN

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that anyone should concede that he is after everything the traffic will bear.

The compensation of the stockholder, in the modern firm, is no less anomalous. In the large corporation neither he nor anyone else is likely ever to be called upon for equity capital in the future. He has, we have seen, no power and hence no role in the running of the firm. What then is the case for the private participating interest? None that wouldn't be as well served by converting his property right to a fixed return.

Associated with the position of the stockholders is the increasingly asymmetrical role of profits and losses in the modern large corporation. Profits may still be made. Their function is still much celebrated. So are the virtues of private enterprise. So are its immunities—its right to be free from government interference. All this, however, changes when the great corporation makes a loss. Then it becomes too large and too important to be allowed to fail. So long as they were making profits, the railroads, Lockheed, Pan Am, Franklin National were flagships of the private enterprise system. Once the profits turned into losses they became the highly deserving wards of the state. Last spring Consolidated Edison, which is prudently called an "investor-owned utility," entered upon a particularly dark period. *The New York Times* ran a question-and-answer series on its probable fate. Would it go bankrupt? No, "the ramifications of such action are too severe." Would it be taken over by the public? Yes, "for investors, this might be the better way." This would, it was agreed, invite "a major ideological change." If the present troubles of the other investor-owned utilities continue, this ideological change could become a torrent.

As in the United States, so in other countries. In Britain there is strong objection to public ownership except, as in the case of Rolls Royce, where private miscalculation has brought disaster. Then it is favored, and urgently, by conservatives. The Italians have built a large public sector of the economy, by no means unsuccessful, mostly from the failures of private enterprise. Although without function, the stockholder must at some point be protected by the state from loss of his equity through bankruptcy.

Change in the modern large corporation begins, plausibly enough, with the two bodies that have lost function—the stockholders and the board of directors.

The case for private ownership through equity capital disappears whenever the stockholder ceases to have power—when he or she or it becomes a purely passive recipient of income. The management is a self-governing, self-perpetuating bureaucracy. It can make no claim to the traditional immunity associated with property ownership. The logical course is for the state to replace the helpless stockholder as a supervisory and policy-setting body; the forthright way to accomplish this is to have a public holding company take over the common stock. There is, of course, no case for singling out one class of property for sequestration. The appropriate course is to have the common stock valued, perhaps by reference to past stock market values, perhaps by more specific appraisal of assets, and then pay the stockholder off with fixed interest-bearing securities. Whether these should be guaranteed by the state is an interesting question. It is possible that they should be. It should be noted that no public expenditure is here involved, only an exchange of assets.

Were the criterion for this action that the firm is a full self-governing bureaucracy—that the power of the management is plenary and that of the stockholder nil—some 100 or more of the largest industries would be eligible for such action, together with a fair number of the larger utility, transportation, financial and merchandising corporations. In practice as a man of caution I would be content to start with three obvious categories. These are the big weapons firms, Lockheed, General Dynamics, Thiokol, which are now, except in name, public enterprises. The government is overwhelmingly their most important customer, supplies them with most working and much fixed capital, and stands by to rescue them when they are in trouble. Then there are the oil majors. These have a strong environmental impact, a major influence on foreign policy and a stranglehold on the public pocketbook. Public ownership here has worked well in other countries, notably in Austria and Italy. It would, no one should doubt and least of all the oil men, be widely popular. And the gains here would offset the losses from the third and inescapable category, which, of course, is the losers—the railroads, Pan Am, the utilities if things proceed as now, as well as other and yet undisclosed candidates for public assistance including, one surmises, a certain number of banks. As things now stand it is taken for granted that the state will inherit the turkeys. And this is necessary; we can't get along without railroads, banks or perhaps even Pan Am. But this being so, it is surely proper that the government should also inherit the predators. In the category of predators one would wish to include ITT, not for its profits, which, if anything, are likely to diminish, but for its record of political offense.

As equity passes to the public, so do capital gains. Thus is eliminated a wholly adventitious source of public enrichment derived in the case of these corporations extensively from the accident of parentage or grandparentage. The blight that hangs over the careers of men like Nelson Rockefeller would thus, in time, be removed. Otherwise it is important that liberals do not have false hopes of the effect of the change on operational detail. One reason the private stockholder was excluded from management was that his intrusion, being uninformed, was damaging. So it is with any outsider; a public owner cannot and should not participate in the daily routine of manage-

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ment. This has come to be well understood in many countries with the consequence that public ownership has been reconciled with extensive operational autonomy and marked commercial success. Foreign railroads and airlines are cases in point. The example of automobile manufacture—Renault, Alfa Romeo, Volkswagen in its greatest days—is especially impressive. The Swiss watch industry depends ultimately for its efficiency on a highly effective publicly created and largely publicly owned firm that manufactures the movements, a not unimportant component. I've mentioned the Austrian and Italian oil companies. Both countries also have done well with publicly owned banks and Austria with steel.

Where the private stockholder disappears, the board of directors should be replaced with what might variously be called a board of public auditors or a board of public inspectors. I propose to use the first name; it is important only that the designation carry no connotation of operational authority. This board should be of moderate size—perhaps a dozen members. A minority of the members, perhaps four, should be selected as now by the management. This minority would include the senior executives of the firm. The remaining members would be designated as public members by the state. It would be expected that, like judges, they be men and women of strong public instinct. They should not be of excessive age; they should be of persistent informed and disciplined curiosity. They would be expected to take their job seriously, meet at least monthly, and they would be paid. Since the board of public auditors has no operational authority, I do not see it as a useful place for the exercise of trade union or other participant interest. The defense of the worker interest is more effectively served, as now, by traditional trade union means. That the board of public auditors reflects the consumer interest is inherent in its public character. The consumer is the public and vice versa.

The problem of the modern large corporation, we have seen, is that its purposes diverge from those of the public. The purpose of the board of public auditors, in addition to the conventional financial audit, is to maintain continuing surveillance—a continuing social audit—on this divergence. To this end it should have, of course, full access to the information available in the firm—to prices, costs, investment planning, product design, advertising and merchandising methods and plans, political initiatives, much more. On important or continuing matters it would function by committee and could request staff assistance. The board would appoint the top management, ordinarily from the ranks of management. It would ratify investment plans and reconcile these with public planning requirements.

The board of auditors would be generally the place for informed discussion of the public impact of the major policies of the firm. Some of the public benefit would come from this discussion and the resulting response. Policy directives on public matters would, of course, be binding on management. It would be important, however, that this power be used sparingly. Management must still retain the major powers of decision and therewith the capacity to perform. And it must be held responsible for effective performance. As a broad rule matters of public urgency—those pertaining to environment, product design, advertising—should be controlled by general law, not individual company decision.

Both the findings and deliberations of the board of public auditors should be public. The notion of the great corporation as a private entity long ago became obsolete. Nothing with so great a public impact can be removed from public inspection.

From the public reaction to the knowledge made available by the board of public auditors comes some part of the knowledge that guides its discussions and findings. From this information and discussion comes also the raw material for legislation setting and refining the rules on what can be done to air, water, the tranquility of life, the safety of consumers, the public bamboozlement—in short for establishing the limits within which corporate growth and profit-making proceed. These limits, all conservatives should recognize, are increasingly their protection against assault on the idea of growth itself.

Plenary power should, obviously, be accorded to the board of public auditors for setting the range of top executive compensation. That power is now exercised by the people who receive the compensation or their appointees. This is too convenient. While to reduce executive compensation in the new public corporations to civil service levels might be too radical a step, there is no excuse for the present munificence. Not even managers contend that pay has an incentive effect, for it is the pride of every executive that he puts forth his best regardless of pay. He would not possibly have it suggested that he graduate his effort or his exercise of intelligence to his compensation.

There are other details. The important thing for the moment is the broad design. That accepts that if large tasks are to be performed, large organizations are necessary. It eliminates from those organizations those parts that, with growth and other development, have lost their function, are the source of unwanted and anomalous effects. It creates institutions that, while safeguarding the operational autonomy of the great organization, have promise of bringing it more closely into line with public law and purpose. That much remains to be said should be no grounds for surprise. As I noted at the beginning we are concerned here with a subject on which almost nothing has been said. My hope is not for early action. That would be too optimistic. But maybe, to repeat, we can now get the discussion going.

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Must It Too Lead to Depression?

The Crash Worse Than '29

by David Fromkin

In October of 1929 a golden era leaped to its death from a Wall Street window-ledge. America has been haunted ever since by the fear that the nightmare that began that month might one day recur. Now it has.

Of course there are differences. There always are, for no two historical episodes are identical. But in scale, intensity and duration today's continuing disintegration of the Wall Street capital market is of a magnitude comparable to that of the Great Crash. In some respects it has been, if anything, a greater crash.

For one thing it has lasted longer. Indeed the present market plunge is already the longest of the century. It began more or less simultaneously with the inauguration of Richard Nixon and his policy of high interest rates. We are therefore in the sixth year of this market, and the end is not in sight. In 1929 it was only about three years from the top of the market to its bottom. And even those three years were felt to be unbearably long. A common characteristic of earlier Wall Street troubles, Mr. Galbraith has written, "was that having happened they were over. The worst was reasonably recognizable as such. The singular feature of the great crash of 1929 was that the worst continued to worsen. What looked one day like the end proved on the next day to have been only the beginning." That is true of what has happened to us too—but more so. The search for the bottom of this market has become a hopeless affair, as it sinks lower and lower.

As in 1929 even the concentrated power of great money has proved unable to stem the erosion of prices. Under the leadership of Morgan's Thomas Lamont, the New York bankers tried it and failed in the five days between October 24 and October 29, 1929. They made a better job of it this time around. They had learned their lesson; they realized that not even they could support a whole market. In 1970-1972, between phase one and phase two of the present bear market, the Morgan Guaranty Trust Company, a descendant of the earlier Morgan bank, followed by many of the other large institutions here and abroad, concentrated almost all of its investment funds in support of only a handful of selected stocks. It was a two-tier market in which the few stocks on the Morgan short list were given the financial backing to perform well while the rest of the market was left to flounder. This strategy proved to be successful for only a brief time. Circumstances were favorable, for the government suspended for a while its punishing economic and monetary policies under the pragmatic influences of John Connally, Arthur Burns and the upcoming presidential elections. Fueled by the money of the major banks and financial institutions, the big stocks of the Morgan list drove the market up to what appeared to be new highs, even though the stocks that most other people owned did not share in the benefits. Then Richard Nixon, liberated by his 1972 election victory, went back to being a Republican. The removal of guidelines and controls and the reimposition of high interest rates took everything in the market back down again; and even the Morgan list collapsed under the selling pressure of the Nixon market.

Thus the market collapse continues, heading downward toward its seventh year and the creation of ever more dismal records. More people have been losing more money than ever before. For one thing there are about six times more investors now than there were in 1929: then there were five million, now there are more than 30 million. For another the dollar value of investments is roughly 10 times greater: the aggregate value of New York Stock Exchange securities, which was $89 billion on September 1, 1929, was $871 billion at the end of 1972. From the autumn of 1929 to the summer of 1932, New York Stock Exchange stocks lost a record $74 billion in aggregate paper value. That covered a period of roughly three years. From the outset of President Nixon's first administration it was clear that his market was going to break that record: the *Guinness Book of World Records* (1973 edition) listed 1969 as the year in which price levels of New York Stock Exchange stocks fell more sharply than ever before in history, creating (according to the *Guinness* figures) $62.88 billion of paper losses in a single year. That record, too, now has been broken. The aggregate value of New York Stock Exchange securities fell by more than $170 billion in 1973, and by another $250 billion in the first nine months of 1974. Even this staggering loss of more than $420 billion in a period of merely 21 months does not tell the whole story, for it only includes the drop in value of the select list of stocks traded on the New York Stock Exchange. Most stocks are traded elsewhere: some on the American Stock Exchange or on regional exchanges, but the ma-

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jority of them, over the counter. According to the National Quotation Bureau, between 7500 and 9000 stock issues are actively traded over the counter—roughly four times more issues than are traded on the New York Exchange. If the losses in all of these stocks were added to the figures for the New York Stock Exchange alone, the total loss in prices would be seen to be even greater. At the beginning of 1973 prices were so low that they bore no relation to reality. Now they bear no relation even to fantasy. The price of common stocks has lost its meaning in terms of value. All that prices now show is that sellers are dumping, while buyers for the most part aren't buying.

In the 1929-1932 crash unweighted market averages dropped by 89 percent. That record still stands for the moment, although the gap is rapidly closing. In terms of the same unweighted averages, an analysis in a recent *Barron's* showed us currently to be down more than 70 percent from the 1968 highs and still sliding. Some individual issues have been less battered than in the earlier crash, but many have fared far worse; a recent *Wall Street Journal* article listed Woolworth (down 79 percent then and 82 percent now), Addressograph (down 87 percent then and 95 percent now), W. T. Grant (down 81 percent then and 96 percent now), and a number of others.

Yet this terrible collapse of stock prices has not had the dramatic impact of 1929. Many people remain unaware that the 1969-1974 crash has been happening, and most people are unaware of its dimensions. It is because, happily, they have been spared some of the more dreadful consequences of previous market cataclysms; and for that we owe thanks to the young New Dealers who created the securities laws of the 1930s and who restricted the right to speculate with borrowed money. They restrained the over-leveraging of corporate financial structures that made the markets of the 1920s so wildly volatile and led them toward their fall. The pyramided investment trusts, structured so as to zoom from here to infinity on the flicker of an up-point—and to zoom back downward every bit as quickly—are a thing of the past; and not even the gaudiest structures of the 1960s were anywhere near so fragile. Moreover individual investors have been obliged to work mainly with their own money. In 1929 people lost money that was not their own and that they could never afford to repay; so that the crash meant they were ruined. Today people lose some or even most of their money, but can walk away with whatever is left. The New Deal has made it possible for us to conduct this, the greatest financial liquidation in the history of the world, with relative aplomb. Literally millions of Americans have sold every share of stock that they owned, and nonetheless have been able to turn in their stock certificates for cash. Certainly there have been moments of hysteria, but as financial panics go, it has been an orderly one. In gratitude for that saving grace, statues should be erected to Benjamin Cohen, Thomas Corcoran, James Landis and the other young lawyers of Roosevelt's first administration whose foresight made it possible.

Not even their safeguards, however, can save us from the other economic consequences that flow from the liquidation of our capital markets. Though many would disagree, it seems clear that in 1929 the crash was a major cause of the depression that followed. It

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took what had been a modest economic downturn and converted it into a collapse. Although the stock market crash itself came about for reasons internal to the market (that is, excessive speculation with funds that were borrowed rather than owned), its effect was to destroy the prosperity and endanger the existence of the American economy. To some extent it was evident even at that time that such would be its effect. What was obvious was that without an adequate stock market, the flow of investment funds would be cut off and the raising of new capital for industry would become difficult. What was less obvious was that the loss of values on the stock exchange would have an analogous effect to a contraction of the money supply. Taken together with the disastrous deflationary policies pursued by the Federal Reserve Board at the time, the crash pushed the economy out the window too.

Our problem today is to keep the new 1929 from turning into another 1930, 1931 or 1932; that is, to keep a market collapse from causing an industrial collapse. Once again what is least appreciated is the role played by securities markets in the process of causing or averting such a result, by causing values either to come into existence or to disappear. It is a role that they play because, in many situations, corporate stock is used as a form of money. It is used to pay for services; for example officers, other employees and outside attorneys or accountants sometimes take their compensation in stock rather than in cash. It is frequently used instead of cash in order to purchase assets here or abroad, including land, factories, machinery or whole companies. It is routinely used instead of cash as a store of value—which is to say, people and institutions hold their assets in the form of stock certificates rather than in the form of the Federal Reserve Notes that we use to pay for the groceries. Thus the disappearance of this stupefyingly large sum of stock values in the past few years is in many ways like the withdrawal from circulation of an equivalently huge sum of money.

The ramifications are felt everywhere. As the assets of banks, pension funds, insurance companies, business corporations, universities and charitable foundations shrink, the resources no longer are available to carry on with the job—whatever the job. Everybody's first impulse in these circumstances is to borrow money from the banks in order to keep going, but the banks have their own problems and besides don't have enough money to lend. Another impulse was to blame the OPEC countries for our plight, on the theory that the $25 billion we are paying for imported oil this year caused the drain of our liquidity. Yet without denying the seriousness of the oil problem, the loss of liquidity due to the fall in stock prices has been far greater. Market losses for nine months of this year alone have been $250 billion—10 times the year's oil bill! The market collapse is the chief cause of our illiquidity; and it will be the chief cause of our depression if we have one.

What is to be done?

In 1930 Keynes suggested that a solution would be for the various governments to form a pool of investment capital to replace some of what had been lost. At the time, Keynes probably was offering the right solution. In our circumstances it would be the wrong one; in the raging inflation of 1974, the printing by the government of vast amounts of new money would drive paper money down to its intrinsic value.

The right approach for us is the adoption of measures to coax existing money back into the market and thereby reverse the process of decline and fall. That is why Sen. Lloyd Bentsen, Ways and Means Committee Chairman Wilbur Mills, New York political economist Eliot Janeway and others have tried to draw attention to the importance of using the tax laws to provide incentives for investing. But serious political difficulties stand in the way. Proposals of this sort are resented by many people because they are wrongly perceived as special-interest legislation designed to benefit Wall Street speculators and profiteers—if there are any left. It may be because of such opposition that so much of the legislation now being considered seems excessively timid, complicated and ineffectual.

What is needed is a rapid shot in the arm.

For example legislation providing that anyone who, in a given year, puts more money into the purchase of common stocks than he takes out in sales—anyone who is, in other words, on balance a purchaser—would be allowed to calculate the excess of purchases over sales and write that off against income taxes up to some fixed amount—perhaps $3000. This limit would guarantee that the proposal not be another piece of relief to the rich. Thus up to a point the government would match its citizens dollar for dollar if they would use their money for investment purposes; and the influx of new money would revive the market, re-create securities values—and repay the government its initial advance of money in the form of increased capital gains tax collections.

Another approach would be to use the Federal Reserve System rather than the tax laws. The policy of high interest rates has been the continuing cause of the market crash, ever since it began in 1969. Why not slash interest rates? The answer is that it would prove to be too inflationary—unless accompanied by credit controls, which the administration (wrongly, in my view) refuses to impose.

Of course it may be that no action at all by the government is necessary. Stock prices might revive through the interplay of free market forces. We've experienced at least a temporary rally in recent days. The Ford administration might take hold of the country's problems so effectively that confidence will so revive that, of their own volition, people will flock back in to invest in the American economy. It is a possibility;

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but is it wise to bet the country's future on the chance that this will happen in time to avert catastrophe? Might it not be more prudent to take conscious governmental measures to protect us in case the revival of confidence in the market does not occur spontaneously?

Those who say that our 1929 must inevitably lead to our 1932 are wrong. But to keep it from doing so will take either prompt and effective action or lots of luck.

Changing the Way We Buy and Sell Stocks

by Jonathan Zach

The investor who bought a portfolio of blue chip stocks in 1952 and kept it would be no richer today. The record of the last few years has taught those who didn't know it that stock investment is inherently a risky business. If anyone is blaming his brokers for diverse disasters, he should realize that brokers have not been responsible for any of the manglings of the economy that have sent stock prices down. But should Wall Street be absolved entirely?

The fact is that there is a monopoly problem on Wall Street. The Securities and Exchange Commission regulates the activities of brokerage houses that are members of the New York, American or regional stock exchanges. One must purchase a seat to become an exchange member, and the number of seats is fixed. Law prohibits a member firm from trading listed exchange stocks off the floor of the exchange, except under special, supervised circumstances. These restrictions form the basis of the monopoly.

"Wall Street" is more than a place where stocks are traded; it is an apparatus for generating financial information and arranging financial interactions. Very few of these activities are done competitively in the strict sense, meaning without the shelter of special laws, collusion (tacit or otherwise) or privilege.

The institutional structure of the stock market does not directly affect stock prices. Restructuring and reform will not of themselves result in the next "bull" market. But there is a general malaise in the financial district, a confusion about the future state of the securities market, and a frustration with present arrangements. The future price of a stock, like world peace, is uncertain. But it can be more uncertain, or less, depending on how good one's information is and how well one stays in touch with the true state of the market. The current institutional set-up has built-in conflicts of interest that tend to make a mystery of the market. The investor does not have as complete control over his portfolio as he should.

The following questions suggest some of the problems: Are different segments of the investing public privy to different amounts and quality of information about corporations and stock prices? Do all investors have free and equal access to the same mechanisms for trading securities? Are these mechanisms efficient? Are investors being charged the appropriate costs for the operation of the stock market?

Information and costs are related factors in the stock market. The investor can gather some data for himself from newspapers and periodicals. Supposedly more valuable information can be purchased from advisory services or received from stockbrokers. Most Wall Street firms maintain research departments. The information so generated is not free; one pays for it indirectly through "brokerage" commissions. The investor has little choice; if he wishes to trade securities through the organized exchanges, he must pay the fixed commissions. The costs of the one service, providing exchange facilities, is "tied" to information production, and the linkage is effective to the extent that Wall Street "member" firms constitute a monopoly.

A stockbroker, then, is not only one's contact with the trading floor but a salesman for his firm's research efforts. The question that should be raised is whether the generation of information and the trading of securities are not, in fact, two separate activities that should be handled as such. Unjustified transactions costs, levied in the form of subsidies for research, make it more expensive to buy and sell shares.

The future of the monopolistic commission structure is a subject of concern on Wall Street. The SEC intends

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to abolish all fixed commissions by May 1975. What this means is that investors will be "free" to negotiate their commission costs with their member firm stockbroker. "Competing" brokerage houses will give the average investor as much bargaining power over commission rates as competing supermarkets give over food prices—not much. What is likely in an industry so used to the idea of cartel is that some of the dominant firms will become price leaders, and hence the monopolistic price structure will be maintained.

Competitive commissions are already available to institutional investors (mutual funds, pension funds, etc.) since the current law exempts orders over $300,000 from the fixed rate schedule. And the small investor can trade a limited number of listed exchange stocks in the "third market" at discount commissions. The over-the-counter securities markets have always coexisted with the organized exchanges because this decentralized communications network of broker-dealers has traded the shares of smaller, more obscure companies. When over-the-counter dealers began making markets in exchange stocks, they formed an alternative, or "third" market. Third market firms typically offer no stock advice and have no research departments. If competition is to have any impact on future markets, it will be to create more firms that resemble third market firms. Certain member houses will start to offer lower commissions and maintain profit margins by the elimination of expensive research services. Those firms that are good in the information business will specialize and leave the retail business to the cut-rate firms. The trouble with this prospect is that it leaves unresolved the relationship between third-market firms and the member firms. The friction is caused by differences in the way trading is carried out.

Exchange stocks are traded by an auction or specialist system. Exchange member firms communicate customer orders from a broker to the floor of the exchange where an agent of the firm walks the order to a designated trading post. An exchange member, known as a "specialist" because he has sole responsibility for the particular stock, presides over a kind of continuous auction that determines the prices and transactions throughout the day. The specialist is required to make "a fair and orderly" market, but to do so he is privileged to trade for his own account and make profits on his spread. The spread arises because the specialist attempts to buy at prices below the last market price and sell at prices above the market. The spread represents an added transaction cost to the investor.

In addition to the spread, the specialist system introduces an uncertainty factor that is added to the fundamental riskiness of stocks. First, there is a lag between the time an order is given and the time it reaches the specialist post for execution. This can be several minutes, which is not trivial in a fast-moving market. Second, the investor cannot personally affect the transaction. If he submits a "market" order he ensures a transaction but sacrifices prior knowledge of the transaction price. A "limit" order secures the price but does not guarantee that the transaction will occur at all. A market order instructs the floor agent to execute the order at the best price available when he reaches the auction crowd. A limit order specifies a price, but if the market price at the time the agent arrives prevents execution, the order is recorded on the specialist's "book" to be executed if and when conditions permit. The specialist has general discretion over the prices at which market orders will be executed, subject to limit orders on his book and certain regulations. The specialist's book is protected by law from any outside scrutiny. Once the investor submits his order, he loses control of it one way or another.

In contrast the over-the-counter market, which includes the third market, is supposedly a negotiated market. In reality, however, only institutional investors have access to dealers for direct bargaining. The average investor still must employ market or limit orders. All investors must pay the transactions costs that are implicit in the dealer's spread.

It is apparent, then, that neither alternative is fully satisfactory. A hybrid market of auction and negotiated systems favors institutional investors. The small investor always has the option of investing through mutual funds, but the record of professional money managers does not seem to justify their fees. Should we resign ourselves to this patchwork future?

If the stock market is truly crucial for the efficient allocation of capital resources, then the fundamental principle of a "market" should be adhered to: an organized marketplace benefits its participants by reducing search costs to a minimum; it is the best and lowest cost way to achieve balance between supply and demand. Hence there is no economic reason why the physical act of trading securities should not be provided by a nonprofit organization, operated by salaried employees. Transactions costs should be assigned in proportion to the amount of trading; there is no economic reason why intermediaries should earn monopoly profits from this operation. Computerized systems can be designed to perform all the bookkeeping and matching functions. Investors who have been screened for credit-worthiness could make known their decisions through remote terminals or instruct exchange employees to do so. Periodically the computer could produce transactions prices that satisfy the demand and supply for securities. There is no reason why the investor should not be completely aware of what is going on in the market up to the moment of his transaction. And finally there is no reason why different investors should have different privileges within the system. There is no reason to make financial security a more difficult task than it already is.

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A Case for Redistributing Income

Taxation and Democratic Values

by Kenneth J. Arrow

The use of taxing power to achieve a redistribution of income has been increasing over time in a marked way. Popular support of this doctrine has also tended to increase, though with much ebb and flow. The 1972 presidential campaign represented something of a check, though it was perhaps the first time the issue had been made a major one in that context and the ineptness of the presentation was surely a significant factor in McGovern's defeat.

The philosophical and ethical foundations of redistribution have come under sharp debate in intellectual and academic circles as well. Economists, after much neglect, have revivified their interest in the axioms that underlie the distribution and redistribution of income. Perhaps the most important recent intellectual event in the area of distributive justice has been the publication of John Rawls' *A Theory of Justice*, followed by attacks on Rawls and on the desirability of equality in general by Irving Kristol, Robert Nisbet and others.

Among other strands of the debate is the old idea of a conflict between liberty and equality. The debate occurs against the background of a presumed common acceptance of the ideals of a democratic society, and democracy clearly includes in its sayings both these ideals. I want to argue here that a commitment to democratic values strongly implies an ideal of redistribution of income and wealth.

I think we may safely agree that the notion of democracy has two components, both indispensable: 1) the securing of the freedom of the individual so that he may develop his individual potential; 2) a symmetric mutual respect of the individuals in the society for each other. These aims are, as has been frequently remarked, partly competitive; but, it must also be stressed, they are to a very considerable extent complementary. A hierarchical society marked by great inequalities in power and esteem will surely not tolerate the liberties of those most disadvantaged. Conversely a world in which individuals have their liberties tightly confined must be one in which there are large inequalities of power.

I would like to enlarge somewhat on the meaning of the second criterion, the symmetry of respect. Any society, democratic or not, must have as a root element some degree of mutual obligation and some sense of respect for every individual, however low he may wind up in the hierarchy. The strong element of truth in all social contract theories is that the Hobbesian nightmare can be avoided only if the bulk of society feels in fact incorporated and accepted in it.

What is distinctive about the democratic society is that mutual relations are conceived of as symmetric in spirit. Individuals, at least in some initial sense, have to be treated equally by the society, if it is to be worthy of the name "democratic." One can attempt to give deeper philosophical foundations for this symmetry, perhaps Rawls' idea of an "original position," in which society chooses its values at a point where the members do not know what roles they will play. More prosaically, we can think of democratic decision-making procedures as a kind of insurance arrangement, in which individuals do not know what interests they will have in the long future, a view developed by James Buchanan, for example.

An immediate implication of the symmetry assumption is clearly some form of egalitarianism. Classically this has been interpreted in a political sense, that of equality of the right to vote. A long history of struggles has led to an almost universal acceptance of this democratic principle, at least on paper.

It might be objected that political democracy is in fact only nominal, that this ideal is never realized. As we look around we see rather obviously that political power is in practice exercised by a small minority. But the implications of this are perhaps less obvious. There are two reasons for the operation of "the iron law of oligarchy": 1) a straightforward and inescapable need for specialization of function; and 2) the translation into political power of inequalities in other forms of power, especially, in the modern world, economic power. I want to return to the second point later. The first of course is simply the fact that everyone can't do everything; politics is a vocation and you can only expect a limited number of people to engage in it, for obvious economic reasons, just as we have specialization in other occupations. But in principle, the practical importance of the specialization and of the hierarchical political structures needed for efficiency is blunted by the fact of political competition. Like economic competition it implies that the concentrations of power apparent to the eye are less significant than they seem; the politician or the entrepreneur has to satisfy the

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customers or voters. Of course these checks are imperfect, and perhaps more so for political than for economic competition; but they are real and important.

Assume then a roughly viable democratic system in the political sphere. Let us take the basic structure of decision-making in the economic sphere as it is today. Most economic decisions are made in the private sector, but the government has a considerable hand in the allocation of resources and in regulating the operations of the private sector. The division of responsibility can be argued in terms of both efficiency and ethical considerations and will not be discussed here. The operations of the government require, then, control of resources toward the ends that it is supposed to satisfy. These ends have been mainly the production of public goods but increasingly also redistributive measures, payments to individuals regarded as in some way disadvantaged. The latter amount to negative taxes.

Many among both the intellectual and general publics regard redistribution as a deprivation of liberty, in that property is taken away by coercion. I disagree with this viewpoint most strongly. It ignores the freedom-enhancing value of redistribution to the recipients, and it erects property unwarrantedly into a fundamental institution. Let me develop these arguments a little more fully.

In essence the ideal of redistribution is an extension of the principles of symmetry of respect and obligation from the political sphere to the economic. The symmetric regard for others is a desire to have them treated like oneself. In the absence of good reasons the presumption is always for equality of treatment, and equality of treatment will imply equality of outcome, again in the absence of special reasons to the contrary. One can indeed argue convincingly that complete equality can be achieved only at the cost of other values that we are not prepared to sacrifice. But one cannot start with the idea that a given state of inequality needs no question.

Let us start with elementals. Income and property are certainly the instruments of an individual's freedom. Clearly the domain of choice is enhanced by increases in those dimensions. It is true not merely in the sense of expanded consumer choice but also in broader contexts of career and opportunity to pursue one's own aims and to develop one's own potential.

COMING: reconsideration of Thomas Hardy's *Far from the Madding Crowd,* by Clarise Short

Unequal distribution of property and of income is inherently an unequal distribution of freedom. Thus a redistribution of income, to the extent that it reduces the freedom of the rich, equally increases that of the poor. Their control of their lives is increased.

There is an interesting sidelight on this in one of the outcomes of the experiments on the so-called negative income tax. The one kind of labor that is withdrawn from the markets in significant amounts is that of young adolescents; the income transfers induced them to return to their education rather than take low paying jobs. This is precisely the kind of increased freedom that the most ardent libertarian should favor. A democratic position that starts from the equal importance of all individuals can only applaud a move to a more egalitarian distribution of autonomy and liberty.

A great deal of intellectual confusion comes, in my view, from thinking of property rights as basic and axiomatic. The forms of private property are indeed capable of mystification. In a world where incomes are derived in the first place from the sale of labor and other assets, the use of resources by the government takes the form of diverting income and wealth out of private hands into public ones. It therefore presents itself as an infringement on freedom. This is only a matter of forms of payment.

One could equally well think of the world's resources as a common pool from which allocations to private and public uses have to be made. We could make some payments in the form of rewards for services rendered and some in the form of grants to meet needs. Then the redistributive payments would not appear on their face to be a deprivation, but the effect in real terms would be the same.

I do not want to be misunderstood. Property, like the government, is an extraordinarily useful institution. Property is a protector of liberty. Equally important, the rights of property afford some guarantee for the efficient use of resources. But the current distribution of income and wealth has no particular claim to priority in itself.

There is some argument in justice and in practical efficiency for predictability, therefore an argument against arbitrary, large redistributions. In fact, however, the present capitalist system by its essence has a strong degree of unpredictability; for example destruction of property through development of someone else's innovation is a frequent occurrence and one that we regard as essential to the interests of progress.

There is one serious objection to relativizing and pragmatizing the rights of property. The most important items of property are personal. They are the skills and talents of individuals. It can certainly be argued that we do not want to put such assets into the common pool, that somehow each individual has the right to development of his own personal attributes. I think one can make a fairly sharp differentiation between

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the exercise of personal attributes and the enjoyment of unlimited income rights therefrom. I would be tempted to say that an individual with unusual talents, medicine or art, has something of an obligation to the world to use these talents; but even apart from that, I see no argument against saying that if he is highly rewarded for applying his talent, those rewards should in part be devoted to the less fortunately endowed.

There is a very different line of argument for redistribution, also based on the preservation of democratic values. This is the one referred to briefly above, the fact that unequal economic power is bound to be translated into political power. The mechanisms that this transformation takes are no secret. Campaign contributions, the many rewards that can be conveyed by contributions of wealth to complaisant political leaders, the ability to control communication, the greater leisure and the ability to be informed, all of these skew the distribution of political power.

The aim of achieving an equal distribution of political power requires a restriction on the inequalities of wealth and income.

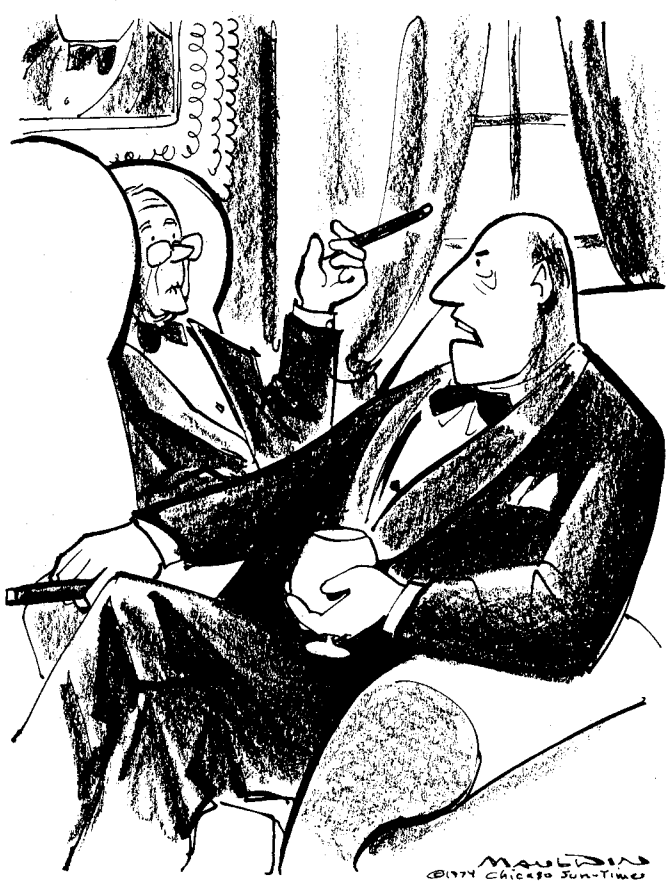
The two arguments presented thus far have somewhat different implications for the nature of the redistribution. The expansion of the freedom of the poorer individuals leads mainly to anti-poverty measures, to operations on the lower end of the income distribution. Of course mere arithmetic requires that this have an effect on the upper tail, but it is sometimes argued that the very high incomes (say about $100,000 a year) have such a small fraction of total income in them that they play a minor role in redistribution to the lower end. On the other hand the preservation of political equality may require especially strong redistributive measures against the upper end of the distribution. Of course there is no conflict between these two goals.

There is a third, more technical, argument. It is that a more equal redistribution of income will lead to an improved efficiency in expenditures on public goods. As matters stand now, such expenditures are partly directed toward improving efficiency in the economy but also partly directed toward redistributive aims. If a more or less equal distribution of income were achieved, one could confine the role of public goods to pure efficiency considerations.

There are of course well known arguments toward limiting the extent of redistribution. The most familiar is that redistribution is bound to be accompanied by strong adverse incentive effects. Developers of new enterprises will be inhibited if their rewards are heavily taxed. Workers will not shift jobs as readily if the wage differentials are taxed away. These considerations are real and important and do set limits on the extent to which the income tax, for example, can be used for redistributive purposes. But one must not be too cautious. It is surely true that a great deal of very high personal incomes are essentially rewards for shifting incomes from one person's hands into another's, as in speculation or competitive practices that have little social product. Furthermore they are in good measure a reward for exercising talents that are in themselves pleasant to exercise and will therefore continue to be used even at considerably lower reward levels. It is also possible to consider taxes other than income taxes as instruments of redistribution. One that has been frequently proposed is a progressive tax on an individual's total consumption, thus providing an incentive for saving. There are severe administrative and conceptual difficulties, but it is possible that these are by no means insuperable.

Another argument against redistribution, which I think is less serious, is that anything that enhances the role of government is bound to increase the concentration of political power. This argument presupposes that the political competition, discussed above, is ineffective or imperfectly effective. Even to the extent that this is true, a redistribution based on an automatic tax-like law, rather than on the basis of individual applications, should not result in any real increase in the effective power of the state.

I would therefore argue the scope for redistribution, as manifest by progressive taxation extending into the negative area of lower incomes, should be high on the agenda of those desiring the expansion of democratic values.



"To hell with church and state . . . I'm concerned with the separation of rich and poor."

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Falling Behind on the Treadmill
More are Going to be Poor

by Lester C. Thurow

The richest one-fifth of American families receives slightly over 41 percent of all incomes; the poorest fifth gets slightly more than five percent of all incomes. The middle three-fifths receive 12 percent, 18 percent and 24 percent respectively. The relative shares of earned income have remained about the same since 1947. Economic policymakers could take comfort in the fact that although the distribution of income wasn't getting any more equal, it also wasn't getting less.

Unless one is familiar with the census definition of income, it is easy to be misled by these numbers. Basically the census measures *earnings* and for the most part misses income from capital or physical assets. While 25 percent of all income is capital income in the Gross National Product, only four percent of census income is capital income. Since the ownership of capital is much more unequal than the distribution of earnings (the richest 19 percent of families own 76 percent of all privately held assets and the poorest 25 percent have no net assets), the distribution of total income is substantially more unequal than the census indicates. There remains, however, that relatively stable distribution of earnings.

While the consistency in family earnings is well known, the reasons for it aren't. The consistency springs from two phenomena.

First, with economic growth, average family earnings rose from $6022 to $12,051 (in constant 1973 dollars) between 1947 and 1973. In the normal course of events this would have left families without wage earners farther and farther behind. Offsetting this factor was a rise in government social assistance programs (welfare, medicare, farm subsidies and such) from $11 billion to $113 billion between 1947 and 1973. These payments just managed to hold families not in the labor force (the elderly, the ill, female-headed families) even with the rest of the population.

Second, in the postwar period male earnings have become noticeably more unequal. Low-income males are falling behind middle-income males and middle-income males are falling behind men with high incomes. Working wives compensated for this. In the period under discussion the average number of working wives rose from 32 percent to 45 percent; those income groups whose male earnings were falling behind were most prone to have working wives. The higher a husband's income the lower the probability that his wife will work and the fewer hours she will work if she does. The wives of men earning $6000 to $7000 a year are almost three times as likely to work as those of men making more than $25,000 per year. Families whose male earnings are falling relative to the rest of the population attempt to maintain their relative income position by having their wives get jobs.

This creates a serious problem for the future. Welfare programs can be used to keep pace with economic growth, but female work cannot be indefinitely expanded to keep pace with an increasing inequality in male earnings. If male earnings continue to become more unequal, family incomes must start to become more unequal.

Unfortunately that is soon likely to happen. Many low- and middle-income families have reached the point where wives can only increase their work effort if they are willing to go to work while they still have pre-school age children. At the same time antidiscrimination laws and women's liberation are opening up job opportunities and job desires among wives of high-income males. These women have not worked in the past—partly because they did not need the money and partly because they could not find rewarding jobs. If high-income males are married to women who potentially could earn high incomes in an equal opportunity job market, high-income families have an enormous untapped potential for raising their salaries. Wives have many hours that could be devoted to highly paid labor. The net result is a period in which the incomes of more affluent families are likely to rise much faster than those of low- and middle-income families.

The problem has already become visible. Black family income peaked at 64 percent of white income in 1970 and has since fallen to 60 percent. Since most black women already have jobs, the black family has little opportunity to increase its income further through this device. There still are, however, many white wives who do not have paying jobs. As they go to work white incomes will rise relative to black incomes. Since 1969 the share of total income going to the bottom 60 percent of the population has also been slowly falling. While the changes are not yet statistically significant, the consistent downward trend may indicate that the incomes of those classes with wives fully committed to the labor force have already begun

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to fall.

What are the political implications of this development? For one thing it's likely to put the old Democratic coalition back together again. In the postwar period blue-collar families made large income gains and kept up, relatively speaking, with high-income families through their own efforts. They have had no reason to empathize with families on welfare. In the future the rate of growth of family income is going to slow down for the working families and they will increasingly need government help to keep pace with those economically above them. The need to turn to government for assistance, as in the Great Depression, will inevitably enhance the prospects of Democratic candidates and social welfare legislation.

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Outmoded Notions of Supply and Demand

Curing Inflation with Unemployment

by Michael Piore

The current economic situation—the prevailing combination of high and rising unemployment *and* high and rising rates of price inflation—presents a special dilemma for economists. This combination simply can't be explained by accepted economic theory. Unemployment and inflation aren't supposed to exist together. High unemployment is *the* accepted cure for inflation. Many economists have maintained that the cure wasn't worth what it cost the people who are thrown out of work. But virtually no one respected in the profession has doubted that tolerating joblessness was indeed the way to curb inflation. Any other policy recommendations have been suspect. They might be workable but proof was lacking. Thus in the current economic climate, professionals who dissent from the administration have been objecting more to the administration's game than to its game plan; they don't have alternatives to offer.

The reason economists are attached to unemployment as a cure for inflation is that the relationship derives from the concepts of supply and demand, concepts that form the foundations of scientific economic theory. Theoretically prices will rise when demand exceeds the capacity of the economy to produce goods and services, and they will fall when supply exceeds demands. Unemployment is interpreted as a measure of underutilized productive resources, and hence, of the gap between overall supply and demand. The jobless constitute underutilized resources that can be put to work to expand supply. As everybody knows not all the unemployed really could be conscripted in this way. Some are already on the way to a new job, some are not qualified for the kind of work that's needed, some do not want to work. For this reason, "full employment," in the sense of a balance between aggregate supply and aggregate demand has always been interpreted as involving an unemployment rate higher than zero. *But,* in general, economists have assumed that when unemployment was rising, the gap between demand and supply should be closing and price inflation should be declining.

Given these assumptions economists have been hard pressed to explain the events leading up to the current crisis because the rates of unemployment one would expect to go along with a given rate of price inflation appear to have been increasing. While prices once were thought to stabilize when unemployment reached four or five percent, price stability in the early '70s seemed to require a rate of unemployment of 5.5 or six percent. The only explanation of this that is consistent with the logic of supply and demand is that the number of unemployed who don't really want to work has been increasing. And this has indeed been a major theme in recent writing, even by liberal economists who are not otherwise predisposed to blame the individual for his own economic fate.

To explain the current situation in this way, however, would require a much bolder argument. One cannot argue simply that the percentage of "shirkers"

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inadvertently thrown into the unemployment figures is rising. One has to argue that the rate of increase has suddenly changed and become so great and so rapid that prices are not stable but rising. If inflation continues to accelerate that argument will be made. But it won't be very convincing.

The idea that prices are determined by supply and demand rests on certain assumptions about the behavior of individual economic agents. These assumptions are plausible, and probably correct in some markets where prices are set by impersonal forces so strong and so compelling that each individual has no choice but to accept the market price or go out of business. The market for most agricultural commodities is of this kind. So is the stock market. In other markets, however, the assumed behavior of prices rests heavily upon certain calculations that people are thought to make in order to maximize their economic welfare. The theory more or less assumes that people estimate the demand and supply curves for their products and use these to set prices and wages.

There have been some studies of the way in which prices and wages actually are set in those markets. The studies do not support the hypotheses of conventional economic theory. People do not appear to make calculations on the basis of anything like estimates of supply and demand. Instead they apply a set of pricing rules. These rules tend to impose a fixed structure of wages and prices. In wage setting, in fact, they seem to do exactly this. Many people are now familiar with this procedure from the arguments about parity among policemen, firemen and sanitation workers in New York. That was a dispute in which the wage setting *rule* was explicitly at issue. The significant point for economic analysis is that even in that dispute the discussion did not center on supply and demand. In most of the labor market there is not even a dispute about the rule. Plumbers expect their wages to bear a certain relationship to carpenters; steel workers expect their wages to go up at more or less the same rates as the wages of aluminum and can workers.

Price setting rules are generally a little more complicated than wage setting, but the basic tendency to impose a fixed structure of relative prices is much the same. Thus, for example, in retailing it is common to use a fixed percentage mark-up over cost. This guarantees that the relationship between the wholesale and retail prices will be constant whatever the state of supply and demand in the two sectors. Car prices, to give another example, are set as a certain percentage of the median income and thus they rise automatically with wage increases.

The existence of widespread fixed-rule pricing means that there are essentially two modes of wage and price setting: one governed by supply and demand, in which individual prices rise and fall in response to scarcity or surplus; the second, or rule-determined sector, in which prices and wages are *set relative to each other* in order to maintain a fixed price structure. The two modes of price setting create the possibility of *structural* inflation.

Normally one would expect even in a relatively prosperous economy wide differences in market conditions. Some markets would be in surplus and others would have scarcities. If everybody responded directly to their own market, the prices of scarce commodities would rise; the prices of surplus commodities would fall. Overall these contrary trends should tend to cancel each other out and lead to price stability.

When you have fixed-rule pricing and wage setting in one sector of the economy, however, this balancing will not necessarily occur. It will specifically not occur if the scarcities are concentrated in the market-oriented sectors while the surplus is concentrated in the fixed-rule sectors. Under these circumstances the prices and wages in the market-oriented sectors will rise. Those price increases will feed into the rules of the other sectors, and their prices will *also* rise. This is structural inflation.

It should be noted that structural inflation need not be set off by market forces. It could be triggered by a union political situation that upsets the wages structure, as appeared to be the case in the construction industry in the late 1960s. It might be initiated by the creation of many new plants, without an established place in the existing structure, as tends to happen in an economic boom. It could be triggered by the creation of a new monopoly that seeks to change the position of its product within the national price structure. This in fact occurred in oil after the Arab-Israeli war and is indeed one of the causes of inflation in the United States and abroad. But, in addition, in the last year and a half we have had what appears to be the classic conditions for a structural inflation: major shortages of market orientated raw materials balanced by surpluses in rule-set prices for manufactured commodities and labor.

How will such structural inflation respond to the conventional remedy of unemployment? Does this characterization suggest alternative economic policies? The answers to these questions depend very much upon how one interprets the commitment to the rules in the fixed-rule sectors. The approach of conventional economists has generally been to dismiss the rules as shorthand or a "rule of thumb" for the more elaborate calculations that are assumed to take place. The people who use these rules, the argument goes, actually are responding to the economic reality described by demand, supply and profit maximization procedures of economic theory, and when the gap between the rules and that more fundamental reality becomes important, people will abandon the rules and respond to the market directly. If this interpretation is correct, one can argue that higher unemployment will eventually break up even a structural inflation. The surplus will

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make it very costly to adhere to the rules and in this way force firms to abandon them in favor of market pricing. The reality of fixed rule pricing appears, however, to be somewhat more complicated than this conventional interpretation suggests.

In the case of wage rates, the rigidities in the wage structure appear to be a product of a moral commitment on the part of the labor force. Rank-and-file workers tend to view the process of wage determination in moral or ethical terms: they describe their wage rates as *just, fair* or *equitable*. And they are willing to go on strike to ensure that a *just* wage is received. Workers are not, of course, motivated by concepts of justice alone; they are deterred from striking by high unemployment rates, and they are not above pressuring for a wage that is a little more than "just" in a favorable economic climate. But the just wage is a standard. People are a good deal more willing to strike to preserve it, even in periods of high unemployment, than to better it, and it acts as a restraint upon wage demands even in a tight labor market.

The workers' concept of a just wage involves a fixed relationship with the wage on certain other specific jobs and seems to depend heavily upon past practice and precedent. This means that only wage relationships that are stable over long periods of time come to be regarded as just and equitable, and stable wage relationships that are repeatedly disrupted come to lose their moral compulsion.

A good deal less is known about the process of price determination than about wage rates. The process is more private; academic analysts have never been as intimately involved in its operations as they have in wage setting through collective bargaining; the rules that create rigidities in the price structure seem more complex and more difficult to explain. Still a part of their compulsion also seems to be moral, especially in those situations where buyer and seller have regular, personalized relationships. Both parties come to expect certain pricing patterns to be maintained, and think of any departure from those patterns as unjust and slightly immoral. It is the kind of breach of trust that causes a buyer to look elsewhere for new suppliers, if not immediately then later when the market is slack. And of course the fact that a buyer is likely to see things in this way causes the seller to adhere to the rule, even when he would like to take advantage of a favorable market to boost his margins.

But in the case of pricing, there is a technical as well as moral reason for adherence to conventional rules: there's no really sound alternative. The market forces that economists assume determine relative scarcities are impossible to *know*. The relative scarcities for many commodities, and hence their relative market prices, in fact remain pretty stable over long periods of time. A lot of the changes that do occur are temporary, attributable, for example, to managerial shakeups, the politics of industry, government relations or just a mistake. They tell nothing about the underlying market conditions but do confuse the picture. Thus the kind of variations in market conditions that might reveal something about the structure of demand and supply is missing. And, as any first-year graduate student will tell you, without that variation it is simply

"The most obvious inflation solution is to fire us . . . I hope nobody thinks of it!"

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not possible to estimate the kind of relationships upon which the calculations assumed in economic theory are predicated.

This last explanation is a little bit like the conventional interpretation of the rules as shorthand calculations but with a critical difference. The conventional interpretation assumes that there is some deeper reality behind the rules, the existence of which economic agents are at least aware, and that the major surpluses created by increasing unemployment will both induce people to seek out that reality and enable them to find it. However the alternative interpretation suggests that neither of these things is the case. For most price and wage setters the structure embodied in their rules *is* reality: nothing in their experience leads them to be aware of the deeper market structure that economists postulate.

If this is the nature of fixed-rule pricing, what is the likely effect of high levels of unemployment? High unemployment will create large surplus in virtually all markets. Such surpluses would confront price and wage makers with a reality lying completely outside the realm of their experience and not encompassed within the constructs through which that experience is understood. Such a confrontation might predispose people to redefine reality. But even if it did the higher levels of unemployment would not provide the needed information about the underlying structure of supply and demand. And it is not at all clear that high unemployment would in fact predispose people to reconstruct "reality." Psychological studies of people suddenly confronted with situations that do not fit their world view suggest they more often ignore the incongruity than revise their view. Economic agents, of course, cannot easily ignore the situation. Probably they would be forced by the threat of bankruptcy—or bankruptcy itself—simply to abandon established norms of price and wage behavior, and cut prices willy-nilly in some blind effort to shore up demand. They would then be behaving as economic theory says they should, in direct response to market forces, and this would presumably halt the inflationary movement. In this sense unemployment might be a cure.

There is a catch here, inherent in the phrase "abandon the established norms." In any other social setting the kind of wholesale abandonment of established norms of behavior upon which the "unemployment" cure to structural inflation rests would be interpreted as *anarchy*. It would probably be viewed as anarchy in economic activity as well. The orthodox story, in interpreting conventional rules as shorthand expressions of the laws of supply and demand, fails to appreciate this prospect. In that story unemployment merely forces people to recognize that the shorthand is no longer appropriate and to respond *directly* to market forces. From the agent's perspective the traditional rules of price and wage setting represent the *best* construction they can make of economic reality: they don't see any higher, more basic set of forces from which those rules derive. And when the rules are no longer appropriate, they feel that they have lost their grasp on reality. Add to this the vaguely moral flavor surrounding such rules, particularly in wage setting, and one does have anarchy.

What does economic anarchy imply? A panic, perhaps. Probably a prolonged depression. It is extremely unlikely that in the climate of uncertainty that would prevail the private sector would be willing to undertake the kind of investment upon which economic prosperity depends. And the capacity of the government to move fast enough and far enough in increasing its own spending to cover the shortfall in private demand is questionable.

If unemployment won't produce the required adjustments in the wage-price structure, what will? If, as we are arguing, the rules that impose the existing structure are indeed an effort to interpret economic reality, they will probably be revised eventually without a severe deflation. It is difficult to say exactly how this will be accomplished because nobody has taken these rules seriously enough as real economic mechanisms to study the processes of formulation and revision. However one can guess: the attempt of goods in the market-oriented sector to break out of the wage-price structure may be frustrated by existing rules, but

"I'll give you $4350—not a cent more."

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it is not without its impact. Relative prices do change at least temporarily, before the rules reassert themselves and other prices catch up. To the extent that prices do not change, shortages occur. All of these things are indicators of a change in relative scarcities. They will make it more profitable to reduce the mark-ups in pricing rules. And price makers should eventually find this out, if not by direct calculation, at least by accident. The fact that increases in food and fuel prices are still generating inflationary pressure probably reflects, as much as anything else, a basic skepticism that these crises were generated by permanent changes in the world economic system rather than transitory events—war, famine and the politics of détente.

In the case of wage determination, the argument is even more straightforward. There the commitment to a fixed structure rests almost entirely upon past practice and precedent. The leads and lags inherent in the wage setting process mean that a wage or price forced out of line by market pressures will prevail for at least a time. That period becomes a weak precedent. If the wage keeps jumping out of line each time efforts are made to restore it, the precedent becomes stronger and stronger. It then becomes something of an independent moral force capable of competing with the traditional wage structure.

It may be possible to facilitate these adjustments in the wage-price structure through public policy. Certain government agencies may, for example, be in a position to get people to recognize the changes in market conditions and revise their decision-making rules accordingly more quickly than people could or would do on their own. The moral authority of governmental institutions, and particularly the presidency, might be brought to bear to excuse people from the moral compulsion inherent in the traditional wage-price structure. In fact this view of the inflationary process points, in many respects, to a program of wage and price *controls*. The conventional distrust of such controls springs from the belief that they would suppress changes in the wage-price structure and, in so doing, forestall adjustments in supply and demand necessary to relieve the inflationary pressure. But if, as we have argued, the structure is rigid and wage-price changes set off an inflationary spiral, the structural changes won't occur anyway, and controls at least prevent the spiral from developing. The case for such controls would seem especially strong when combined with other policies designed to convince people directly of changes in economic conditions. Since the price structure has difficulty changing on its own, there is also a case for direct government interventions to expand supply or suppress demand. This is particularly true in sectors of the economy where the price is set by rules, but it is true even in market-oriented sectors, which act to set off the inflationary spiral elsewhere.

All of these interventions constitute an incomes policy of sorts. But it is not a simple matter of announcing—or even enforcing—a single wage-price standard. It is in fact a much more subtle approach to inflation that sees, as the central problem, the revision of a set of decision-making rules, which in turn reflect a particular construction of reality. The specific interventions then must be tailored to the particularities of the rules, which must be revised, and the specific markets in which those revisions occur. Ultimately the policy-maker is trying in some sense to get into the heads of the economic agents themselves.

To a very large extent this was John T. Dunlop's approach to incomes policy and the one he tried to implement, first in the construction industry wage stabilization program and then, as director of the cost-of-living council in the latter phases of the Nixon economic program. As I read that experience, the chief difficulty with the approach is the detailed and intimate knowledge about the specifics of each industry and set of actors that it requires. Indeed, for the actors, it really involves knowing their "mental set." Dunlop himself had this knowledge in the construction industry, and there the stabilization program was an unqualified success. He had, or knew where to get, much of the required knowledge about wage setting elsewhere in the economy, and the general wage stabilization program, when he controlled it, also had some success. Dunlop, who was a labor mediator, had virtually no experience in price setting and, in controlling price inflation, the program seems to have failed. Given more time Dunlop might have gotten better at the process, and, to this extent, one can conclude from his experience that a policy of the kind he tried to implement could work.

It seems unlikely, however, to work in the present economic and political climate. Dunlop's views about incomes policy are idiosyncratic. His appointment is understandable—politically in terms of the pressures on the President to have an incomes policy and the need for a director with the kind of acceptability to labor that Dunlop had. But the policy itself lacked either the intellectual or political underpinnings that would be required to make it a viable approach to inflation over the long term.

Thus realistically the only alternative is to wait out the current inflation and hope that price and wage setting procedures will eventually be revised without federal intervention. The danger is that the government will try to hasten this revision through increasing unemployment. Both the intellectual and political foundations of that policy are firm. Because the risk of such a policy is panic and depression, the danger is present for all of us. But it is particularly strong for economically disadvantaged and underprivileged groups.

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Stanley Kauffmann on theater

The National Health

(Circle in the Square)

Mack & Mabel

(Majestic)

Peter Nichols is English, 47 and prolific. *The National Health* is his third play to be done in the US, and by now we can discern a profile. He's intelligent, witty, mordant and lazy-minded. *A Day in the Death of Joe Egg*, which was also made into a film (*TNR*, May 20, 1972), had a strong central premise: two young parents with a mute immobile child and the comedy-fantasy life they build around her. Having got the premise, Nichols thought he had the play and, after he had gone on for an act, he had to patch together a story out of rags and tatters. *Forget-Me-Not Lane* was the narrator's memoirs of his youth and didn't do much more than exploit the (British) audience's recollections of period minutiae and the trite poignancy of characters who, we know as we watch them, have since died.

Now comes *The National Health*, set in a North London hospital (the Sir Stafford Cripps Ward!). Again Nichols' assets are plain, including his ability to write good parts. (He was an actor for five years and he knows how to write for actors.) But again the laziness. Here he leans—with some talent but nonetheless just leans—on the inevitable horrors and comedies and ironies in a hospital ward. In an assorted cast of characters, some die, some leave, some come back, and they don't all behave predictably in relation to those facts. But *that's* predictable: and Nichols doesn't go much further. Maybe he thought the title itself would help, with its connotations of, well, of national health. No luck. It doesn't fill the hole at the center of the concept.

He does filigree his play with two devices. The first is show-biz fantasy. He interweaves a series of episodes called "television time:" romance between a young Scots doctor and a Puerto Rican nurse, as well as one between the doctor's doctor-father and a Scots nurse, done as a cartoon of TV soap opera but really as a cartoon of pop adulation of the people in whose hands the lives of the patients rest. An orderly steps out of the play frequently to act as caustic interlocutor. Vaudeville of the serious is not exactly new and Nichols doesn't use it as well as, say, Charles Wood did in his script for Lester's *How I Won the War*, but the montage of deathrattle and raillery has its effect.

His second device is mode-mixing in the straight scenes. He ruthlessly combines barrack-room gags (inopportune farts), realistic horror (a cancer patient's chilling screams), glib religious satire (a missionary and a chaplain lampooned), insightful humor (a woman doctor so overworked that she falls asleep on a patient's chest while listening to his heart), and moving moments (an ulcer patient trying not to worry about his young son). He also revives a few antique jokes ("If my old friends were alive to see me now, they'd drop dead"); still the constant changes of key give the play a tart, unfooled air.

But neither they nor the fantasy sequences redeem it. In all his work so far Nichols has shown irreverence for sentimentality and theatrical taboos but, fundamentally, not much more. He *seems* to bite bullets—in *Joe Egg* the anguish of having a brain-damaged child, in this play the implacability of the hospital beds waiting for every one of us—but he just mouths them for a while before he spits them out, he never really crunches. We keep waiting for the author's gravity as distinct from the subject's. And waiting and waiting. Nichols' talent so far is for choosing subjects and modes, not in what he does with them.

He's pretty lucky in his American production. *The National Health* was first done here at the Long Wharf in New Haven last season, under Arvin Brown's direction, and with one important change the same show has been brought to New York. Brown has become our chief importer of new British plays and has developed a company reasonably adept in, among other things, various British accents. The Long Wharf first did (in the US) David Storey's *The Contractor* and *The Changing Room*, and Nichols' *Forget-Me-Not Lane*, and they deserve our gratitude for giving us a look at interesting new work in the British theater. (They've also done first American productions of Gorki and Lawrence plays.)

Brown has given us a particularly good look at this play. I don't know whether he was influenced by the London production, which I didn't see, but he has certainly directed a vigorous, nicely varied show here. (A director can remember arrangements and even some readings, but he can't really remember tempi and rhythms.) He has also made the best use so far of the misbegotten playing space at the Circle in the Square, which ought to have *been* a circle, not an oval. Nothing can be quite comfortable there, but at least Brown has integrated the necessary long-distance running into the play's dynamics.

His Long Wharf company has been well deployed, including those admirable older actors William Swetland (a good Shotover in the LW's *Heartbreak House)* as a daft doctor-patient and Emery Battis (a good Larry Slade in the LW's *Iceman Cometh*) as the cancer victim. Notable, too, are Olivia Cole as a Jamaican nurse, Richard Venture as the ulcer man, and Rita Moreno as the Latin-tootsie nurse. The biggest role, the interlocutor-orderly, is played by a new member of the cast, one of my favorite young American actors, Leonard Frey. (He was Motel in the *Fiddler* film.) He has the sardonic-heartbreak quality and the campy fluency that the part needs.

A few of the actors are weak, but this is inevitable in a large cast—too large for a regular commercial production these days—and the average is above

(continued on page 41)

Films Worth Seeing

Antonia. A good one-hour documentary about a splendid woman—Antonia Brico—an orchestral conductor before the world wanted women in the job. (See *I. F. Stone* below.)

Amarcord. Two and one-quarter hours of exquisite lyric. Fellini's funny-touching poem about his home town in the 1930s.

I. F. Stone's Weekly. A good one-hour documentary about a journalist passionate for truth. (Now on a double bill with *Antonia.)*

Scenes from a Marriage. Bergman's man-woman inquiry, cramped out of its original six-part TV form, still masterly. Liv Ullmann superb.

SK

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The Inevitable Oil Tanker

Supership
by Noël Mostert

(Knopf; $8.95)

Noël Mostert is an extraordinary writer whose prolific knowledge and appreciation of the sea, of its literature, of ships of all kinds, of birds and fish, enliven this book and make the reading of what otherwise might have been merely a polemic a sustained pleasure. This is an important and seminal book, I hesitate to say the most important book I've read in years. I'll be surprised if *Supership* does not win the Pulitzer Prize and the National Book Award for nonfiction.

Mostert spent some weeks aboard the *S.S. Ardshiel,* a British supertanker of the Peninsular and Oriental Steam Navigation Company which, having discharged its cargo of Persian Gulf crude oil at Rotterdam, was heading back on its 11,000-mile course around the tip of Africa. The *Ardshiel,* which carries 206,000 tons of oil, is of the first generation of Very Large Crude Carriers (their sailors are averse to calling them ships), but it's by no means the largest. The *Ardshiel* has a deadweight of more than 214,000 tons—less than half that of the world's current largest tanker, which at 476,000 tons, will soon be outranked by the 550,000- and 750,000-ton VLCCs now on order or in planning. Aristotle Onassis is contemplating a million-ton vessel, and although that's about as large as anyone can imagine, nothing but good sense will stand in the way of still bigger tankers. The *Ardshiel,* to put things in perspective, is 32 feet longer and 39 feet wider than Cunard's old *Queen Elizabeth.*

The reason that oil tankers have got so big and will get bigger is in the main economic. It costs much less to transport oil in one tanker than in two, with two crews. Then, too, there is the extraordinary increase in the need for imported oil in Europe, Japan, the United States and elsewhere.

In the early 1930s three-fourths of the world's energy was supplied by coal. And as late as 1967 the US, today still the largest producer of oil (ranking ahead of the Soviet Union, Saudi Arabia and Iran), was an oil exporter. But oil consumption here and throughout the world has increased, beginning with the postwar conversion from coal to oil by Europe and Japan. And it had been predicted before Richard Nixon started talking about Project Independence that by the end of this decade the US would rely on the Middle East for 35 percent of its oil. More than half of the 2.6 billion tons of oil consumed throughout the world in 1972 was moved by sea, in tankers. Little wonder then that, as Mostert puts it, "no other ships have ever been so universally important . . . There never was a time when the viability of life for millions in both hemispheres was inextricably linked to the daily unimpeded passage of any one class of merchantmen." Until oil is replaced as a fuel, supertankers will be necessary, and their indispensability makes the problems associated with them all the more horrible.

By the end of last year there were 388 ships as large as the *Ardshiel* or larger and nearly 500 more under construction or on order. All told there are more than 3300 tankers carrying oil and petroleum products. Tanker cargo capacity will nearly double by 1980. It is a frightening prospect because, with the population of supertankers there surely will be a corresponding increase in the spilling, deliberate or otherwise, of oil into the sea.

So far the worst tanker calamity involved the *Torrey Canyon,* the Liberian tanker (120,000 tons) that crashed into rocks off the Scilly Isles in 1967 and fouled nearby coasts of the English Channel. Accidents are on the rise. In the first 90 days of this year there were 326 recorded tanker casualties, involving fires, explosions, weather damage, strandings or collisions.

The harm to ocean and coastlines that supertankers have caused, and will cause, is a great concern. By one estimate, 1.37 million tons of oil are discharged into the oceans every year by tankers operating normally and without mishap. Accidents account for an additional 350,000 tons. These oil spills kill birds and fish, dirty beaches and destroy the plankton that produces much of the earth's oxygen and sustains sea life. Some experts believe that all marine life will end within 30 years if ocean pollution, primarily by oil, goes unabated.

The size of supertankers makes them difficult to maneuver and control. (On the *Ardshiel* the bridge is a quarter mile from the bow.) Conducting such a ship into those few ports capable of receiving it is tricky and dangerous. For one thing VLCCs are impossible to stop quickly. A quarter-million-ton supertanker going 16 knots takes three miles and about 21 minutes to bring to a halt. This makes collisions more likely in congested and uncontrolled port traffic where, likely as not, some "cowboy" in the sea lanes will be headed in the wrong direction. Because supertankers, when fully laden, sit so deep in the water, they have trouble navigating relatively shallow waters. The continental shelf along the east coast of the US keeps them from our ports (though we will be able to harvest their oil from depots moored out in the Atlantic). And in shallow waters of the North Sea and the Straits of Dover, the tankers must proceed with great caution since often there is no more than two or three feet clearance between hull and seabed.

The navigating problems are serious but there are others as well that may be worse. Because they're built to last only five or 10 years, the ships are cheaply constructed and vulnerable to an assortment of potentially disastrous mechanical problems. Their hulls can crack under stress created by the VLCCs' own vibration; oil storage tanks, especially when empty, are potential bombs. And superships are prone to breakdown, engine room flooding, boiler failure, fire, corrosion.

The supertanker is an apt symbol for the last third of this century. It is the inevitable and indispensable answer to the energy needs of the world, assuming of course that countries are able to pay their bills to the Arabs and Iranians. Japan, to cite the most urgent need, is utterly dependent *on* oil and dependent *for* its oil on shipments brought thousands of miles from the Persian Gulf;

NEXT WEEK:

William Kennedy on Castaneda

Sara Sanborn on Morton Sobell

Jonathan Yardley on Leslie Fiedler

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Is there really starvation in America?

There sure is.

And there would be more of it except for the NAACP Emergency Relief Fund.

There's Elma May Greer. Since her husband died, she's been trying to support eight children on $84 a month from welfare.

Join Ray Wood's family for dinner. When he can't pick up any day labor, his $25-a-month veteran's disability pension has to feed all 11 of them.

Try budgeting Berlean Fairley's $60 a month to cover lights, gas, food and shoes for four growing kids.

For these families, and thousands more in the rural South, there's only one alternative to literal, actual starvation: the Federal Food Stamp Program.

But how do you buy food stamps when you have no cash? How do you get to the selling office when you're blind, or crippled, or can't scrape up the carfare?

That's where the NAACP Emergency Relief Fund comes in.

Through volunteers working out of local NAACP branches, we provide the cash—and sometimes the carfare—that makes food stamps available to the Greers and Woods and Fairleys.

Sometimes it's as little as $1 to buy a penniless couple $64 worth of food stamps. Occasionally, it's as much as $20, which can give each member of a family of 16 about 65¢ worth of food each day. Mostly, we help families out with the $8 or $10 or $12 a month they need to get their full food-stamp allotment.

It really isn't much—but to the people who get it, it's the difference between life and death.

And when you're talking about more than 30,000 families helped, the cost mounts up.

That's why the NAACP Emergency Relief Fund needs your help so badly.

Every dollar you contribute is tax-deductible. And, on the average, every dollar we get converts into $11 worth of food.

But we can't do it without *your* dollars. So please send what you can. Thanks.

NAACP Emergency Relief Fund
Dept. E20, Box 121,
Radio City Station,
New York, N.Y. 10019

tankers are the only way to get it there. The supertanker is as crucial to the economies of the industrialized nations as it is to the treasuries of millionaire shipowners who realize as much as four million dollars in profit from a single VLCC voyage.

The oil ships in other ways reflect, and reflect upon, our values. There is no longer much pride in the work aboard a ship. Supertanker officers and crews are inadequately trained and lack both the experience and the love of the sea and ship that were common in earlier generations of sailors. The ships are nothing to love. They are not beautiful and they are not carefully made. The appointments are plastic and veneer, and on the more humanely run ships (like the P&O tanker Mostert experienced) the officers' and crews' accommodations, while quite comfortable, are elegant in the way that a Holiday Inn is elegant. The ships in many ways resemble something NASA might have put into space, and the controls are out of Stanley Kubrick's *2001: A Space Odyssey*. There are computers and flashing lights and very little to do for the captain—now called a master—and even many of the small crews these vessels require to tend them when the computerized, automated behemoths are not entering or leaving a port or discharge terminal. Except when an officer is leaving the ship permanently or on an extended leave there is seldom time to go ashore. It takes only about 12 hours or so to take on or discharge 200,000 tons of oil, and then they are on their way again to who cares where. Since many cargoes are discharged at off-shore terminals, crews do not touch land at all sometimes and it hardly matters whether they are off Japan or Saudi Arabia. They are forever in orbit.

Mostert concludes his book and his voyage on the *Ardshiel* with a number of very detailed proposals that, if implemented, would minimize the hazards of supertanker commerce. He'd create, for instance, an international authority, able as nobody is now, to make tankers as safe as they can be made—a lot safer than they are made—and to enforce anti-dumping and other standards now routinely flouted. It's a vain hope, probably, yet the only hope of ensuring that the inevitable supertanker will not inevitably destroy the oceans before all the oil runs out and the supertankers are left with nothing to do.

David Sanford

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A Plague on Both Houses

The Secret Army: The IRA 1916-1974
by J. Bowyer Bell
(MIT Press; $3.95 paperback)

Protest and the Urban Guerrilla
by Richard Clutterbuck
(Abelard-Schuman; $7.95)

The Bitter Harvest: Church and State in Northern Ireland
by Albert J. Menendez
(Luce; $7.50)

Northern Ireland
by Gary MacEoin
(Holt, Rinehart & Winston; $10)

Irish Liberation
edited by Ulick O'Connor
(Grove Press; $1.95 paperback)

Inishkillane: Change and Decline in the West of Ireland
by Hugh Brody
(Schocken; $8.95)

If Ireland were almost any other country, its agony would be sending shock waves through stock exchanges, calling councils of state into urgent sessions. But troubled Ireland's singular fate is that no one agonizes with it—except, of course, Whitehall, which is now a virtual prisoner of the violence that has claimed 1000 lives over the past four years and cost millions of pounds in property damage and business losses. The rest of the world sits back in the comfortable assumption that Ireland's troubles are not going to spill over, at least not very far, and that if some wider emergency were to occur tomorrow, Irishmen North and South would set aside differences, temporarily, and fall into line alongside old friends.

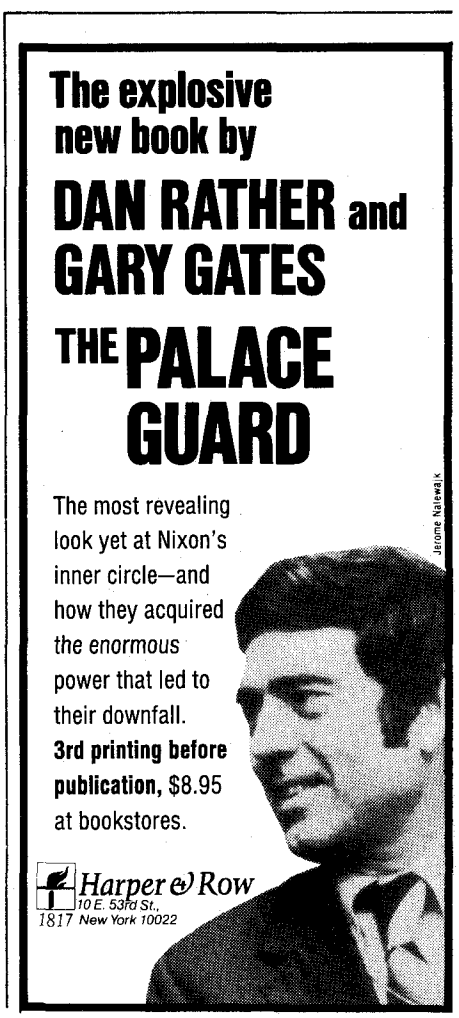
That it is possible to take Ireland for granted, that no East-West ideology, nor any decisive economic or military considerations are involved, minimizes pressures from the outside for a peaceful settlement. Thus eyes look at Ireland without seeing her, and ears hear without minds registering. One consequence is the ghastly simplification that the conflict there is a mean religious brawl between Protestants and Catholics. Who wants to get involved in a religious fight these days? Bad cess to them both.

But a new literature is beginning to convey some idea of the complexities of the Irish situation. Religion, to be sure, is a part of the bitter story, but only in the qualified sense mentioned by Conor Cruise O'Brien in Albert J. Menendez' *The Bitter Harvest:* the fighting is between sides "defined by religion"; the issues are multidimensional. More basic elements are social, political, economic and racial, with that common, constant irritant, The Border—the 1920 expediency by which England divided Ireland into its troublesome and less troublesome parts (a 26-county Free State and a six-county Northern Ireland). The partition did not work, and if there is a lesson therein, it appears lost on the partitioners of Germany, Korea, Vietnam and now, seemingly, Cyprus.

Of the new crop of Irish books the most useful is Gary MacEoin's *Northern Ireland; Captive of History.* It ranges across England's 750-year assertion of sovereignty over Ireland; points up the ironies of Irish religious history (including Rome's collusions in Britain's frequently divisive diplomacy); and gives context at last to the doings of the Paisleys, Orange Lodges, patriot extremists, IRA, Christian churches and other factions. It is a superbly calm and fair book, the more notable because MacEoin, a native Irish Catholic now resident abroad, is a keen partisan of reunification—though not necessarily on Dublin's terms, and certainly not on any terms laid down by the Irish Catholic Church. MacEoin accuses the church of giving precedence in "all" major issues (language, education, home rule, welfare, land reform, etc.) to its own interests and to a concern "to control the minds of Irishmen." His ecclesiastical criticism is more direct than O'Brien's (who in Menendez' book charges the churches-plural with "encouraging, exalting and extending the kind of tribal-sectarian self-righteousness that forms a culture in which violence so easily multiplies") and more to the point than Menendez'.

Menendez is an official of Americans United for Separation of Church and State, and of course few Irish issues are more knotty than church-state. Wherever one looks—whether upon the Dail debating contraception bills or Stormont grappling with proposals for religiously integrated education—one finds the velvet gloves of churchmen busy on the scene. *The Bitter Harvest* would appear to be a neat match of author and subject matter. Menendez reaches many of the correct conclusions: the churches do meddle; Ireland is a kind of theocracy. Yet the feeling cannot be escaped that Menendez is operating more from instinct than from solid scholarship. The impression of superficiality sets in early—and then, when a *National Geographic* article is invoked to support the proposition that Protestant-Catholic relations were generally improving through the 1950s-early 1960s, it becomes a permanent impression.

I much prefer a book like Ulick O'Connor's *Irish Liberation.* It's not intellectually pure, but an unapologetic piece of Irish nationalism, a book for the juices. But at least it is without pretense. And the writers in it are hard to beat: past notables (Yeats, O'Casey, Shaw), present notables (Bernadette Devlin, Bishop Edward Daly), and figures from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the foreign legion of Irish writers (Pete Hamill, Jimmy Breslin). If the politics sometimes get rabid, the words can always be relished.

Books of quite another sort are J. Bowyer Bell's *The Silent Army*, and Richard Clutterbuck's *Protest and the Urban Guerrilla*.

The first is an exhaustive history of the Irish Republican Army from 1916-1974, an impressive, scholarly work that records the collective memory of veteran and regular IRA-ers. It fills a large literary gap, for no such history has been assembled before, probably because when you're on the run there is not time to keep records, much less preserve them. Bell's detail is mountainous; keener students of Irish history than myself will probably be able to cite inaccuracies. But, as one who used to sit by the late Dan Breen's parlor fire and listen to his accounts of IRA adventures, circa 1920, Bell's book has the ring of authenticity. It should stand for years as the definitive source book on the IRA.

Clutterbuck's is a book not only about the violence in Ireland, but also of urban guerrilla movements across much of the world. Clutterbuck is a retired major general of the Queen's army. His views are strongly Union Jack (there is a frequent celebrating of the British "example of non-violence") and occasionally arbitrary (Israel's handling of the 1972 hijacking at Lydda airport is put down as "characteristic ruthlessness," while West German handling of the Olympics terrorism is deemed a show of "firmness and courage" that failed only because of "bad luck"). But his conclusions about Ireland are inescapable. Clutterbuck is convinced that the violence of the past several years has postponed Irish reunification indefinitely, and he fears that any precipitous withdrawal of England from Ireland, toward which some public opinion would push England, could plunge Ireland into full-scale civil war.

The civil war worry is shared by MacEoin, so while he belabors England he refrains from joining in the call for England to get out of Ireland immediately. England is most definitely a part of Ireland's problem, MacEoin feels. At the same time he argues that England must stay until some kind of peace-keeping machinery is in place and the two Irelands can ease into reunification. MacEoin looks in the direction of the United Nations or a small country without territorial or other world ambitions. His surprising nomination here is Switzerland: "It is not tied to any power bloc, and it has a record of centuries of friendly coexistence of Protestants and Catholics who once battled more bitterly than do the two communities in Northern Ireland. Its army traditions give equal honor to the Swiss soldiers who protected John Calvin and those who protected Pope Pius IX." The recommendation is the one weak note in MacEoin's book; but then he concedes that it is not his purpose to offer a blueprint for the solution of Ireland's troubles. Unfortunately no one else offers one either.

MacEoin is on more practical ground when he writes that he would like to see world opinion speak out for an Irish settlement, particularly in the United States "which has so often in the past exercised and is still capable of exercising a decisive influence on decision-making in Ireland." The difficulty, of course, is that time has eroded Ireland's grip on the emotions of those upon whom reaction of that kind would substantially depend. Second- and third-generation Irish, and Irish of mixed ethnicity, are Paddy's Day parades removed from those who influenced Irish events in the past. Many of them couldn't care less about what happens in Ireland. The Ireland they think they know and care about is not MacEoin's, but Hugh Brody's, as depicted in Brody's *Inishkillane:* rural, romantic, quaint, the stuff of Jackie Gleason shows. They respond to Celtic twilights, not twisted bodies and historic injustices. More's the pity.

John Deedy

JOHN DEEDY, *managing editor of* Commonweal *magazine, is a graduate of Trinity College, Dublin.*

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Posthumous Grace

The Most Dangerous Man in America: Scenes from the Life of Benjamin Franklin by Catherine Drinker Bowen

(Atlantic-Little, Brown; $8.95)

Ben Franklin, Catherine Drinker Bowen concludes in her last, posthumous, and somewhat unfinished biography, had, above all, that quality she calls "grace." So, too, in her life and writings, did Bowen. In his pragmatism, honesty and serenity, the self-taught Franklin reflects the very virtues of his biographer. Bowen's own progress as a writer was a self-education. Her earliest biographies, in the 1930s and 1940s, were romantic and less than honest, as she put her concocted dialogue—so she once confessed—into the mouths of Tschaikowsky, Holmes and Adams; but the books that followed and the integrity and insight that made them models of the biographer's craft. Echoes from them pervade this last book in a way that makes it a recapitulation as well as a closing of a career.

Since her Holmes book—*Yankee from Olympus*—Catherine Drinker Bowen's biographies have reflected a fascination with our evolving as a nation of laws as well as of people. Her set pieces in the hearing room or the courtroom, from her great scenes with Sir Edward Coke and Francis Bacon to her vivid portrait of the Constitutional Convention of 1787, are among her strongest writings. Yet despite all its understatement, no scene-at-law is more dramatic than the one here. On January 29, 1774 Franklin appeared before George III's Privy Council at the Cockpit in Whitehall, a judicial chamber named after the sporting arena Henry VIII had once built on the site. The president, Lord Gower, chaired the hearing in his formal robes, and spectators—including Franklin's friends Joseph Priestley and Edmund Burke—spilled out into every corner and into the hallway and beyond. Franklin had released correspondence of the royal governor and lieutenant governor of Massachusetts and—via Sam Adams—it found its way into the colonial press, which condemned Thomas Hutchinson for his references to "the licentiousness of such as call themselves sons of liberty," and his brother-in-law for his proposals to battle the anarchic "mob" by forming a colonial aristocracy to render it powerless. Agreeing with Andrew Oliver, Hutchinson had written, "there must be an abridgement of what are called English liberties. I doubt whether it is possible to project a system of government in which a colony 3,000 miles distant shall enjoy all the liberty of the parent state." Franklin thought such designs should be exposed.

Accused of abetting misunderstanding between the people of Massachusetts

Merton M. Webb

(he was then London agent for the legislatures of Pennsylvania, New Jersey, Georgia and Massachusetts) and their responsible officials, Franklin had an hour and a half as object of rancor, derision and abuse from councillors, solicitors and spectators even more unpleasant than he had anticipated. Falsely accused of theft in the cause of his own (nonexistent) political ambitions, and labeled a traitor, Franklin, who had received little opportunity to prepare a defense, and had as hastily appointed counsel two weak and self-serving London solicitors, stood impassively and silently. Solicitor Alexander Wedderburn added a gratuitous nastiness after three-quarters of an hour of invective, for Dr. Franklin (Oxford and Edinburgh had given him honorary degrees) was not only the best known scientist in the English-speaking world, but already one of its literary ornaments. "Franklin," he hissed, "will henceforth esteem it a libel to be called a man of letters. This was a man of three letters." Wedderburn was referring not only to the Hutchinson correspondence, Bowen tells us, but—for his classically educated audience—to the Roman republic's practice of branding a thief on the forehead with the three-letter word for a thief—FVR. "I hope, my lords," he concluded, "that you will mark and brand the man for the honor of this country, of Europe, and of mankind."

Franklin, realizing the futility of responding from the lions' den, offered nothing in his own defense, and walked out calmly, his countenance unruffled. The next day, as he had expected, he was dismissed from the only post he held under the Crown, his office of postmaster general in America. In the press he was now "the old veteran of Mischief," a "grand incendiary, this living emblem of iniquity in Grey Hairs," and "Old Traitor, Old Doubleface," while his London apartment was described as "Judas's office in Craven Street." Long a proponent of peaceful transition to freedom under British law, Franklin had been shaped by the inexorable pressure of events into the rebel the government in London feared he already was. To his sturdy sister Jane Mecom he wrote:

> *Don't let this give you any Uneasiness. You and I have almost finished this Journey of Life; we are now but a little way from home, and have enough in our Pockets to pay the Post Chaises. Intending to disgrace me, they have done me Honour. No Failure of Duty in my Office is alleg'd against me . . . But I am too much attached to the Interests of America. . . .*

On the voyage home, on unusually calm seas, the resilient Franklin penned 250 pages of explanation of the events to his son William (who ironically would back the crown in order to hang on to his governorship of New Jersey), and regularly lowered his thermometer into the Gulf Stream, drawing up measurements of future oceanographic significance. But this falls beyond Catherine Drinker Bowen's final chapter. Franklin had 16 years of service he would yet render to the "interests of America," while as Bowen came to this point in her biography her own life had run out.

In her preface Bowen had noted her intention to end this book with 1774, then go on to a second volume, for

though in John Adams and the

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American Revolution *and* Miracle at Philadelphia *I had much to say about Franklin, the temptation remains to write the scenes with Franklin center-stage. I cannot bear to have done with this admirable, beguiling character.*

But she was done; and in an affecting afterword to Franklin's ordeal in the Cockpit, dictated on October 14, 1973, when she was no longer able to write, she outlined how she planned this book to the end:

If I stop the book in 1774, then I want to have an entirely new section . . . to tell some of Franklin's traits that I have not put into the book. I shall dictate them here so as to remember them.

And she talks of Franklin's gift of tolerance and capacity for happiness, which left him blessedly without a tragic view of life. At the end Franklin had looked over what he had done as printer, scientist, statesman and citizen and pronounced it good. From her bed two weeks before her death from cancer Catherine Drinker Bowen dictated:

Franklin said when he was old and suffering terribly, so [terribly] that he had to be in bed and use opium, that if he had the chance he would live his life all over again. You do not find many men who would say this.

I hear Catherine Drinker Bowen speaking through Ben Franklin in this book. But this does not determine the essential integrity and humanity of her portrayal. In spare, unflamboyant prose, *The Most Dangerous Man in America* evokes the essences, rather than the surfaces and details, of Franklin's first 68 years—the conversion of an amateur scientist and regional civic leader into an honored savant and spokesman for an emerging nation. Scholars who know the Yale editions of the *Autobiography* and *Letters* will find no new data here; yet for other readers a man lives and breathes in these pages.

Stanley Weintraub

STANLEY WEINTRAUB *is the author of* Whistler *(Weybright and Talley).*

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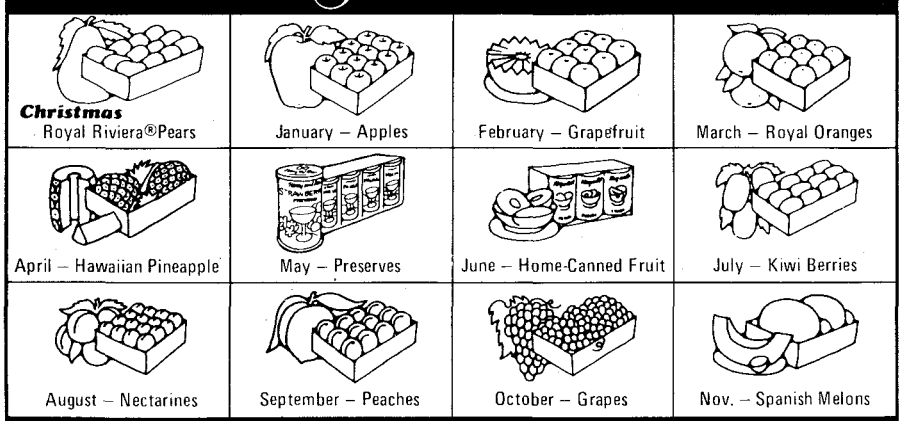

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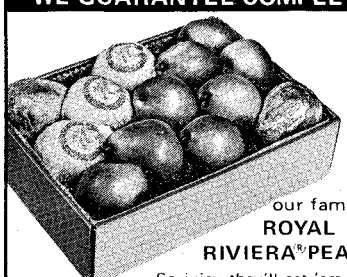

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People as Participants

Notes on the Old System: To Transform American Politics by Marcus Raskin

(David McKay; $6.95)

This thin, thoughtful and troubling volume appears to be in part a response to criticism of Marcus Raskin's 1971 book, *Being and Doing*. Peter Michelson, for example, in this journal (July 10, 1971) stated that "while Raskin does a brilliant and necessary job in philosophically defining the radical humanist being, he does not articulate really practical schemes for radical humanist doing. But being is not enough. If anything is to change, we need to be able to act effectively in according with our sense of being." Now Raskin responds, again pondering the nature of the American system, the relationship of the people to the state and other institutions, and proposes reforms that would, if successful, bring power to the people. He invites Americans to "leave their seats and become the actors of history."

This book is a well researched torpedo striking the ship of state at the waterline. "Is the System a shorthand for capitalism in which the rich, the quick, the clever, the unseen, set out paths which the wretched and mystified must travel? Is the System a way of life that rewards people like Richard Nixon? Can the System be changed?" asks Raskin. The present system, based on the principles of "a price for everything" (including the law), personal selfishness, and the idea that the State embodies the "general good," has failed. Reform is urgently required, not radical or revolutionary reform, but reform based on a return to first principles. This involves a "legitimizing" of our present institutions by connecting them with the people, from whom all legitimate power flows. This contrasts with the current system whereby the President and the power barons are united in preserving political stability and economic growth at home and imperial expansion abroad. The role of the President is that of a steward of the capitalist system, a "good" program being all that is necessary to make

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the system work.

> *The development of the national security mentality and the national security state, combined with the notion of the President acting in the general welfare, provided the administrative, economic, and political foundations upon which the empire was built. It strengthened the nonsocial welfare aspects of state power and secured the profitable expansion of capitalism.*

It is paradoxical that Richard Nixon, the Horatio-Alger, rags-to-riches believer in the American system, shook it to its very foundations. He held that, aside from a few, the people were not really interested in freedom of speech, assembly and public discussion and would prefer to leave the matter of governing to the Leader. He said, in fact, "I shall not hesitate to take the action I think necessary to protect and defend the Nation's best interests, whether or not those actions meet with wide popular approval." After his 1972 election victory he assumed, on historical precedence, that all the powers of the state apparatus would be at his disposal, that his exercise of great and arbitrary power brought with it its own morality. Raskin writes, "notable philosophers like Hegel who glorified the State have taught that leaders are exempt from moral obligations if they are great enough. Why should it have been otherwise for Nixon?" But Nixon in the end was judged as Raskolnikov was, not Napoleon. Nixon's invocation of "national security" was unconvincing in such matters as the plumbers, wiretaps and break-ins, real estate deals, jewelry and the other trappings of mobster power.

What is to be done? "The twentieth century offers two choices to Americans who are interested in political legitimacy," says Raskin. "Once God is no longer grantor of a state's legitimacy, it most likely has to devolve from other people. This means a redistribution of power to the people, a redefinition of what additional rights the people obtain through citizenship, and a change in the very nature of what it means to be united and a state." The Constitution in disrepair, the President proceeded with an "operational legitimacy," acting in the name of a system with no legitimate roots. This system soiled, some would look toward the legislators for the process of revitalization. But Congress' interests and ability to change the system are equally in doubt.

How will we perform this task of bringing the people and the institutions of government together? Raskin proposes a system of "grand juries" in each congressional district, perhaps one grand jury for each 50,000 citizens. These would be impaneled from the voters for terms of two years and constitute a link between the congressman and the citizens of his district. "Unless Congress seeks its legitimacy in the people through an increasing unity with them, it will be consigned to begging its daily operating legitimacy from the corporations, the military and the bureaucracy."

What appears to be a novel idea, Raskin says, is not, simply one rusty from disuse. In the American prerevolutionary period, he writes, "the grand juries played an important role in discovering and defining the life of the community," not alone acting for a prosecutor on possible criminal matters. Linking the grand jury idea into the Congress would theoretically provide the Congress with a closer tie through the people to the community. These 24-member panels would not have the power of presentment or indictment, but would be free to investigate any problem raised by the citizens of their area. With the congressional grand jury system, "People will discover a sense of who they are, a sense of themselves as participants, and a response to their real needs. . . ."

Raskin is correct in pointing up the increased feeling of alienation of the people from their institutions. A recent Harris survey shows only 28 percent of the people have confidence in the federal government. So far so good. But confidence in Congress is down to 18 percent of the people. Where does this leave us with the suggested popular reform, the linking of the people to a discredited institution? Or why would the institution of "grand jury" not meet a similar fate? It is true that the more activist elements in our society, such as the antiwar movement, saw in Congress a way to fight the "national security state," and worked through Congress for that end. The grand jury system might well work, however, like other "regulators," which Raskin describes as operating as a "shield for the corporation against a passive public." But assuming the success of the congressional grand juries in inspiring popular participation, town meetings and so on, would this really operate to rational ends in our complex society? For example one of Raskin's proposals is for workers not to pay withholding tax until

. . . by taking us *inside* politics, this book forces us to revise our view of the history of an era.

The Making of the TVA

by Arthur E. Morgan

The first chairman of the Tennessee Valley Authority gives a provocative account of its founding. Morgan describes his struggle to realize the broad vision of the TVA articulated by Franklin Roosevelt against the encroachments of patronage politics, private-power interests, and those who sought to advance their own personal ambitions.

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the end of the year, and "then decide to what political and legal authority their taxes should be paid," and how the budget would be spent.

There is a utopian quality to Raskin's thought. Raskin is a Jacobin posing as a political scientist. In a recent article in *American Report* he writes, "the development of a democracy of reconstruction starts by building on legitimate structures which already exist. It does not slap the face of the past." Like Confucius Raskin would introduce reforms under the guise of the past, at the same time speaking in dialectic terms. "Our task," he concludes, "is to set the foundations for a new stage, using what is at hand to build, requiring that we speak and act for ourselves, but with one another."

It is doubtful that the new stage is as he perceives it. The decline in participation in presidential elections from 63.1 percent in 1960 to 55.5 percent in 1972 says a good deal about the voters' interest in elections. Nixon may well be right in his reading of popular passion for politics. Raskin's reforms, if successful, would give new voice to the activists who wish to change the system. But in what direction, in whose interest? Would life under the Jacobins be better or worse?

For the present, voter apathy, uncontrolled inflation and high military budgets are likely to result in more and not less power at the center of the government. The populace will no doubt yearn for a highly visible leader with highly visible solutions to urgent problems. The desire for order will once again overcome the philosopher's love of freedom. Bad as that is, the logic of Raskin's cure may be worse than the disease he so intelligently diagnoses.

Robert J. Myers

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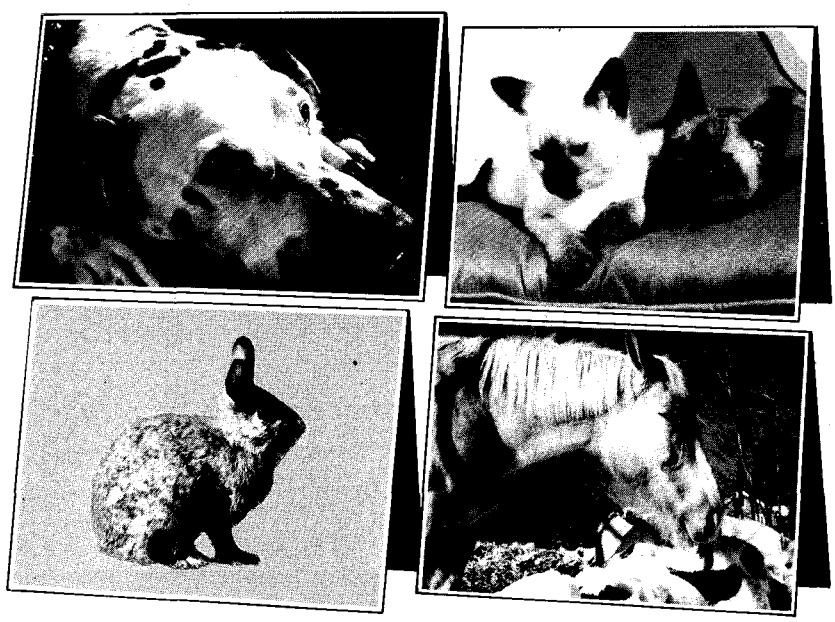

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Macmillan . . . Lasky

Doris Grumbach

This has been a busy time in the publishing world. In the course of two weeks we have been provided with the details concerning the paid-for-in-advance publication (1970) of a paperback book, *Arthur J. Goldberg: The Old and the New* by Victor Lasky (Arlington House), which promises to threaten the approval of a vice president-designate, and a leading publishing company. Macmillan, in one fell swoop, fired about 200 employees from its 1300-person force in a gigantic economy measure.

The Macmillan Case has more facets than the Hope Diamond. One: the prestigious publishing company's announcement that its list of trade books and children's books would be cut substantially was offered as part of its explanation for the large-scale staff reduction. Two: the NYC publishing world believed that those fired were, in the main, most concerned with promoting the cause of the new office workers' union that intends to organize Macmillan. Others went on to embroider this suspicion with the feelings that some of these had supported the recent Harper & Row strike, or were members of the women's group intent on suing Macmillan over affirmative inaction. Three: some Macmillan staff members were saying that mismanagement was at the roots of the company's troubles. Four: to shore up this allegation, Macmillan's latest proxy statement reveals that the top 31 officials of the company earned $1,624,528 in 1973, in addition to pension payments for eight top executives of an additional $250,000 or more.

Employee fury seemed directed at the company's three vice presidents who made $95,000 or $100,000 last year, substantial increases from the year before. A stockholder claimed that 10 percent of the company's after-tax income for '73 ($16,700,000) went to the top 31 employees; the company said this was not so.

The method of the firings was ruthless. Some were fired on short notice; others were told to have their desks cleared out by the end of the day they received the notice. Two top executives resigned

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in protest at the move and the method, thereby I would guess, making Macmillan's reduction problems, for whatever reason, somewhat easier. . . .

As for the almost 200 laid-off workers, it is said they will have difficulty getting jobs because the company is labeling them "rabble-rousers and troublemakers."

The man and his book: Victor Lasky is a well known, some would say, notorious writer, of right-wing books. In 1953 he edited *The American Legion Reader*, selections from the Legion's magazine featuring patriotic articles, stories, humor and a substantial section on "the Commies," with articles on "How Communist Swindlers Operate," "Slick Tricks of the Commies," "What Makes them Commies," and so forth. Ten years later his *J.F.K. The Man and the Myth* (Macmillan) was a best-seller. A patched together (but carefully documented and indexed) work, it suggested, among many other things, that Kennedy may go down in history as the great party-giver. The book, which appeared before the assassination, is a long, often suppositional chronicle of Kennedy's failings and failures.

With Ralph de Toledano (back in 1950) Lasky had had another best-seller, *Seeds of Treason* (Funk & Wagnalls) which, without footnotes or documentation, followed the Hiss case and concluded, after Hiss' conviction for perjury, that the "tally of treason had been made" despite Hiss' defenders, whom they termed the "chorus of sentimentality, the parade of the weeping, the applause of the innocents who believe in Tinker Bell. . . ."

Lasky's strength as a writer lies not in his marshalling of facts, although he always has an impressive if chaotic supply to draw upon, but in his skillful use of the connotative phrase, the biased guess about motives, the highly colored surmise. The book under question now is like all the others. Covered in a bilious green, with a fat-faced photograph of Goldberg, his mouth wide open ("he loves to talk" appears in the first paragraph), it is not the completely scurrilous diatribe it has been pictured. Although many of the sentences are "hectoring" (the *Times'* word), it is less than lethal, a patchwork, hack-job of quotations and occasional innuendo. (Even Lasky himself called it "completely forgettable.") An example is his reference to Goldberg who "kicked, scratched and thrust his way up the ladder . . . Such progress is the result of a 'what Makes Sammy Run drive . . .' " A description of Goldberg's early career as a lawyer after graduation concludes: "He was doing well financially, foreclosing other people's property."

But the story *behind* Lasky's book is its financing. Arlington House is a small, right-wing oriented publisher that clearly stepped over the line into vanity publishing by accepting a book for publication with the financing provided by what has been described as a financial corporation, Literary Properties, Inc., administered by a law firm of which the late Richard K. Dilworth was senior member, uncle to J. Richardson Dilworth, an adviser to the Rockefeller family interests. No one will say how much money, beside the $50,000 or $60,000 said to have been provided Arlington House for the Lasky book, was channeled through Literary Properties, Inc., to defeat Goldberg. Lasky himself claims to have been ignorant of the source of his advance payment ($5000) or the $5000 he received after "several" weeks of work, upon completion of the book. He doesn't remember if he got any royalties: "I don't get involved in financial matters, my lawyer John Wells handled this, and frankly I don't even remember the book or what's in it. I don't list it in my *Who's Who* listing . . . I wrote the book in a few weeks, took off for Israel immediately after I'd delivered it and had it checked for libel and for taste.

"And anyway," says Lasky, "the production of political biographies is a commonplace. Nothing unusual about it at all." In his book he says that early in 1960 "Arthur Schlesinger, Jr., was forced to write a small book, *Kennedy or Nixon: Does it Make Any Difference?*, appealing to Stevenson liberals who were unable to warm up to JFK." In his conversation with me about his book he said that he believed this book "has been subsidized by certain organizations" and that this was common practice around election time.

Simon Michael Bessie, president of Atheneum and chairman of the Association of American Publishers, commented that the book gives no indication "of how it came to be written and financed." Arlington House's president Neil McCaffrey claims it is the only book, in 10 years of Arlington's history, that was published "with private financing." William Buckley, Jr., says it's naive to think a campaign biography would be labeled as such, and Evan Thomas, editor-in-chief of Norton, summed up the publishing confraternity's general view that "most experienced editors would view a subsidized campaign biography with jaundice."

Arlington House has two other "controversial" books in the works, by Phyllis Schlafly (outspoken opponent of the Equal Rights Amendment) and Rear Adm. Chester Ward, called *Kissinger on the Couch*. Next February, it will bring out a muckraking book on Ralph Nader by, you guessed it, Ralph de Toledano. However, to be fair, let me add that the company that says it netted between $15,000 and $20,000 on Lasky's Goldberg book, is also issuing on April 1, 1975 a tome to be called *The New Hamburger and Hot Dog Cookbook*, which will feature such taste delights as Hamburger Chow Mein and Tetrazzini Hot Dogs.

Kauffmann, *from page 32*

average. Brown has handled them all with sympathy and imagination. In fact, I think he's somewhat more serious than the play he's working on. Still I'm glad he let us see it so clearly.

The first act of *Mack & Mabel* was like old times, almost—a well made Broadway musical, with everything falling into place like a recipe in the hands of an experienced cook and most of the ingredients adequate. But the second act is one long collapse.

The story is based, rather remotely, on the famous love affair of Mack Sennett, the genius director-producer of American silent-film comedy, and Mabel Normand, one of his stars. Robert Preston, as Sennett, is ebullient and juicy, with just the right large-scale manner and speech—hard to find these days. He paints the part in fine splashy colors, and if it weren't for him, the whole thing might disintegrate earlier. Bernadette Peters plays Normand, the errant gamine. She can sing and dance adequately, she can almost act, but she has little of what a star must have, espe-

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cially in a musical: whammo. When Preston exits, the stage cools. When Peters exits, we just wonder what's next.

Michael Stewart's book is structured sensibly as flashback, to emphasize the nostalgic aspects, but as the story progresses, it has no focus. The drama simply unravels when the two lovers split, and the finish—Normand's death, probably from drugs—is badly bobbled. Jerry Herman's score in Act One is, as usual with him, serviceable; but he too wavers in Act Two, even stealing an idea from his own *Hello, Dolly!* score. Gower Champion has staged the show with fast seamless flow, but his choreography is so banal that it's almost parody. Robin Wagner's permanent set, built out into the audience, is good: it starts as an abandoned movie studio and thus contains everything that happens thereafter, even on trains and ballrooms, within movie life.

Downhill all the way. Sad though the ending had to be, Sennett himself would have built to a flash finish.

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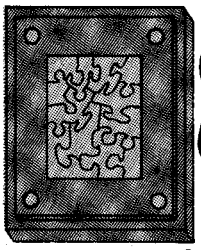

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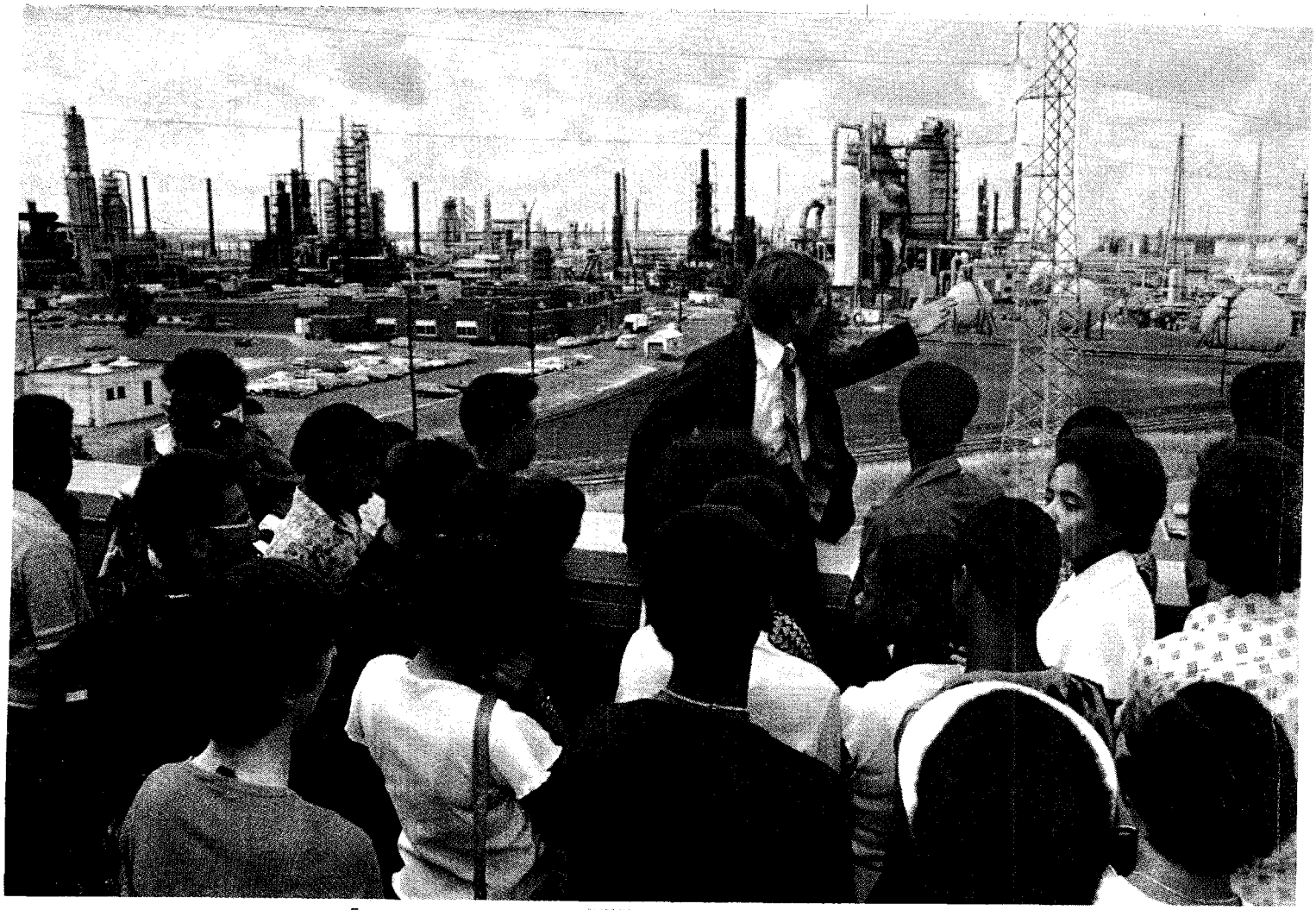

Exxon representative takes Newark high school students on a guided tour of facilities at Exxon's Bayway Refinery.

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The 1980's. You'd expect them to be years of tremendous technological growth. But they may not be. Because by 1980, the U.S. may face a severe shortage of scientists and engineers—even though we have the talent to prevent such a shortage.

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Unfortunately, many students with aptitudes for successful careers in science or engineering don't recognize their potential. Or if they do, their schools often lack the academic facilities to prepare them for university science curriculums. Exxon is trying to change this situation in several ways.

For example, in cooperation with the National Science Foundation, Exxon recently funded an innovative summer engineering program for high school students in the Newark, N.J. area.

During the six-week program, conducted at the Newark College of Engineering, the students held classroom chalk-talks; went on fact-finding field trips; analyzed the data on a computer and formulated theoretical engineering solutions to problems facing Newark today. These included problems in transportation, recreation, housing, sanitation and pollution.

While it's impossible to say how many of these students will eventually pursue careers in science and engineering, it's a fact that they all expressed more interest in these fields after the program. Next summer Exxon will be back in Newark. Until then, we'll continue our other programs to aid and promote engineering.

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We'll again be working with the National Academy of Engineering to identify the critical factors limiting the enrollment and retention of minority students in engineering. We'll also be funding new engineering programs for minorities at 15 major colleges and universities—and helping to strengthen the engineering programs at predominately minority schools, such as Howard University, North Carolina A&T, Tuskegee Institute, Prairie View A&M, Tennessee State University and Southern University.

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